



巨子生物控股有限公司

Giant Biogene Holding Co., Ltd

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 2367



ANNUAL REPORT
年報 2022

Contents

2	Corporate Information
4	Financial Highlights
6	Chairman's Statement
7	Management Discussion and Analysis
17	Directors' Report
30	Directors and Senior Management
35	Corporate Governance Report
52	Environmental, Social and Governance Report
109	Independent Auditor's Report
114	Consolidated Statements of Profit or Loss and Other Comprehensive Income
115	Consolidated Statement of Financial Position
117	Consolidated Statements of Changes in Equity
119	Consolidated Statements of Cash Flows
121	Notes to Financial Statements
184	Definitions

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yan Jianya (嚴建亞)
(Chairman and chief executive officer)
Dr. Fan Daidi (范代娣)
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)

AUTHORIZED REPRESENTATIVES

Mr. Yan Jianya (嚴建亞)
Ms. Yiu Suk Han (姚淑嫻)

REPORTING ACCOUNTANTS AND INDEPENDENT AUDITOR

Ernst & Young

Certified Public Accountant
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

COMPANY'S LEGAL ADVISORS

As to Hong Kong laws:

Clifford Chance

27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

COMPANY'S WEBSITE

www.xajuzi.com

STOCK CODE

2367

COMPLIANCE ADVISER

Somerley Capital Limited

20th Floor, China Building
29 Queen's Road Central
Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

▶ Corporate information

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd. (Xi'an High-tech Sub-Branch)

No. 1 Zhangbayilu
High-tech Development Zone
Yanta District, Xi'an
Shaanxi Province, PRC

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

No. 6 Jinye Road
High-tech Development Zone
Yanta District, Xi'an
Shaanxi Province, PRC

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

Room A101
Entrepreneurship Development Garden
No. 69 Jinye Road
High-tech Development Zone, Xi'an
Shaanxi Province, PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 1855, Shanglin Yuan 7th Road
Chang'an District, Xi'an
Shaanxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

FINANCIAL HIGHLIGHTS

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

► Financial highlights

4-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December			
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	2,364,445	1,552,486	1,190,479	956,702
Gross profit	1,995,240	1,354,337	1,007,069	796,712
Profit before tax	1,177,749	972,917	973,242	676,996
Profit for the year	1,001,586	828,132	826,485	575,180
Profit for the year attributable to owners of the parent	1,002,025	828,132	826,450	552,260
Profit for the year attributable to non-controlling interests	(439)	–	35	22,920

ASSETS AND LIABILITIES

	As at 31 December			
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	3,138,225	7,878,208	2,651,108	1,796,937
Total liabilities	301,192	6,861,397	2,193,105	645,488
Total equity	2,837,033	1,016,811	458,003	1,151,449
Non-current assets	600,490	436,886	367,010	338,682
Current assets	2,537,735	7,441,322	2,284,098	1,458,255
Current liabilities	280,905	6,843,042	2,173,890	626,054
Net current assets	2,256,830	598,280	110,208	832,201
Non-current liabilities	20,287	18,355	19,215	19,434
Total Equity	2,837,033	1,016,811	458,003	1,151,449

CHAIRMAN'S STATEMENT

Dear Shareholders:

We would like to express our gratitude for your continued support, understanding and trust, and your willingness to advance together with the Company to witness the beauty and health brought by biotechnology.

The year 2022 was the first year of the Listing of the Company on the Stock Exchange. Building on the efforts of all our staff, the Company's performance demonstrated buoyant growth. During the Reporting Period, our operating revenue amounted to RMB2,364.4 million, representing a year-on-year increase of 52.3%; net profit amounted to RMB1,001.6 million, representing a year-on-year increase of 21.0%, and net profit margin was 42.4%, maintaining a relatively high level. Meanwhile, the Company continued to strengthen its investment in R&D, with R&D expenses increasing by 76.5% year-on-year and the R&D expense ratio increasing by 0.3% to 1.9% for the Reporting Period. As of the end of 2022, we had 8 major brands with 121 SKUs and 127 products under research. Our increasingly rich SKUs and robust pipeline supported us to continuously bring more diversified experiences of beauty and health products to our consumers, among which, the revenue achieved by Comfy amounted to RMB1,613.0 million, representing a significant year-on-year increase of 79.7%, and revenue from Collgene amounted to RMB618.4 million, representing a year-on-year increase of 17.6%. We adopted a method of scientific promotion to consolidate the scientific aesthetics value proposition of our brands, and continued to enhance the awareness and academic influence of our brands through participation in the formulation of industry standards, publication of expert consensus, academic exchanges and other activities. Our sales channels also continued to expand, with our products sold and distributed to over 1,300 public hospitals, approximately 2,000 private hospitals and clinics, and approximately 500 pharmacies chain brands in China as of the end of 2022.

In the long run, the Company insists on being R&D-driven to consolidate the strength of its synthetic biology technology platform and maintain its technological leadership. The Company will enhance the awareness and reputation of its brands through systematic science promotion activities and continue to expand its sales channels and optimize refined operation capabilities. The Company intends to leverage on its R&D strength in synthetic biology, forge product strength with the concept of sincerity, goodwill,

excellence and innovation, and enrich our brand and product matrix constantly, so as to provide more and better experiences for consumers, and bring beauty and health to consumers in China and around the world. In addition, we will continue to establish a corporate culture of striving for sustainable business success, building an enterprising, learning-oriented and efficient organization to continuously enhance corporate cohesion and execution in order to maintain its position as an industry leader. Over 20 years since the establishment of the Company, we have built a team with strategic determination, execution and cohesion, which can not only continue to cultivate deeply in research and endeavor to reach the acme of the scientific field, but also make continuous progress and self-iteration to continue to lead the industry in the rapidly developing downstream areas such as beauty and great health. In the future, the Company will also continue to work together with conviction and determination, and adopt a proactive attitude towards achieving greater leaps forward.

Finally, I would like to express my sincere gratitude to our Shareholders from all walks of life for their recognition and support, to our partners for their help and trust, to our consumers for their confidence in us, and to all of the staff of the Company for their dedications and contributions. We will continue to embrace our mission of "biotechnology to empower beauty and health", adhere to the relentless pursuit of innovative technologies and product R&D for natural beauty and health, and strive to bring technology from the laboratory to life, so as to become a leading enterprise in the field of beauty and health in China.

Giant Biogene Holding Co., Ltd

YAN Jianya

Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

Continuing to Expand the Diversified Brand and Product Portfolio

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



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

► Management discussion and analysis

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

Collgene focused on its skin rejuvenation positioning, and continues to enrich its series of products mainly targeting on firming and anti-wrinkle solutions. In 2022, for the first time, we applied our proprietary recombinant collagen C5HA bionic combination technology (重組膠原蛋白C5HA仿生組合技術) as the core technology component in the products under the Collgene LIFTACTIV Tightening Collection (賦能緊致系列). The Mini recombinant collagen peptide applied has a molecular weight of 217Da, which is the smallest molecular weight known in the field of collagen and it can penetrate directly to the hypodermis and promotes the regeneration of collagen, so as to attain

a full chain of anti-ageing effects of "wrinkle reduction, core growth and protection", providing the consumers with a gentle and effective new generation of anti-aging solution. In 2022, we launched three new products in LIFECTIV Tightening Collection (賦能緊致系列), namely Human-like Recombinant Collagen LIFTACTIV Wrinkless and Firming Cream (Human-like重組膠原蛋白賦能珍萃緊致抗皺面霜), Human-like Recombinant Collagen LIFTACTIV Compact and Elastic Single-Use Essence (Human-like重組膠原蛋白賦能珍萃緊致彈潤次拋精華) and Human-like Recombinant Collagen LIFTACTIV Wrinkless and Firming Essence (Human-like重組膠原蛋白賦能珍萃緊致抗皺精華). The products in the LIFTACTIV Tightening Collection have been well received by the market since their launch. Collgene Human-like Collagen LIFTACTIV Tightening Mask (Human-like膠原蛋白賦能珍萃緊致駐顏面膜) was awarded "Excellent Industrial Product in Shaanxi" (陝西省工業精品) in the third batch of the list and honored with "C2CC New Cosmetics Award – Annual Popular Skincare Top 10" (C2CC新妝大賞「年度人氣護膚TOP10」). In 2022, total revenue achieved by Collgene amounted to RMB618.4 million, representing an increase of 17.6% compared to the same period in 2021.

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

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

► Management discussion and analysis

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

Continuing to Expand and Improve Sales Channels and Marketing Network

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

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

We have also built a nationwide mass market sales network through direct sales and distributors. Our direct sales primarily include sales through DTC stores on e-commerce and social media platforms including Tmall, JD.com, Douyin, Xiaohongshu, and Pinduoduo, as well as sales to e-commerce platforms such as JD.com and vip.com,

which resell our products to customers through their online retail platforms. Our mass market sales network covered approximately 3,500 CS/KA stores as at the end of the Reporting Period. In 2022, our direct sales channel generated revenue of RMB1,401.8 million, accounting for 59.3% of our total revenue, while our distributor channel generated revenue of RMB962.6 million, accounting for 40.7% of our total revenue.

Increase Production Capacity and Sustainable Development of Production

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

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

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

► Management discussion and analysis

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

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

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

BUSINESS OUTLOOK

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

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

FINANCIAL ANALYSIS

OPERATING RESULTS

Revenue

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

(i) Revenue by Product Category

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

	For the Year Ended 31 December			
	2022		2021	
	Amount	%	Amount	%
(RMB in millions except for percentages)				
Professional skin treatment products				
– functional skincare products	1,561.6	66.0	861.1	55.5
– medical dressings	760.1	32.2	642.0	41.3
Functional foods and others	42.7	1.8	49.4	3.2
Total	2,364.4	100.0	1,552.5	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 the successful launch of new products, resulting in the further enhancement of our brand and product influence. The decrease in revenue from functional foods and others was mainly due to our adjusted sales strategy and product structure to proactively reduce sales of other products with low gross margins.

► 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 supermarkets chains. We primarily engaged distributors to sell and distribute our products to individual consumers, hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains. The following table sets forth the breakdown of our revenue by sales channel in absolute amounts and as a percentage of our total revenue for the periods indicated:

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

Direct sales

Online direct sales through our DTC stores

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

Online direct sales to e-commerce platforms

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

Offline direct sales

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

► Management discussion and analysis

Sales to distributors

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

(iii) Revenue by Brand

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

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

Professional skin treatment products

Comfy

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

Collgene

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

Other Brands

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

Functional foods and others

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

► Management discussion and analysis

Cost of sales

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

Gross profit and gross profit margin

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

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

Selling and distribution expenses

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

Research and development costs

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

Other income

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

Other gains or losses, net

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

Administrative expenses

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

Income tax expense

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

Profit for the year

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

► Management discussion and analysis

Basic and diluted earnings per share

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

Gearing ratio

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

INTEREST EXPENSE OF BANK AND OTHER BORROWINGS

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

TREASURY POLICY

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

PLEDGE OF ASSETS

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

MATERIAL INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

LIQUIDITY AND CAPITAL RESOURCES

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

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

DIRECTORS' REPORT

The Board hereby presents the first Directors' Report of the Company after the Listing together with the audited financial statements of the Group for the year ended 31 December 2022.

MAJOR BUSINESS

We are a leader in bioactive ingredient-based professional skin treatment product industry in China. We design, develop and manufacture professional skin treatment products with recombinant collagen as the key bioactive ingredient. We also develop and manufacture rare ginsenosides technology-based functional foods. We utilize proprietary synthetic biology technology to develop and manufacture multiple types of recombinant collagen and rare ginsenosides in-house.

BUSINESS REVIEW AND ANALYSIS OF KEY FINANCIAL INDICATORS

Please refer to the "Management Discussion and Analysis" section of this annual report, which forms part of this Directors' Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS OF THE COMPANY

We are of the view that establishing and implementing sound ESG principles and practices will increase the investment value of our Company and provide a long-term return to our stakeholders. Our Board has the overall responsibility for ensuring an effective risk management and internal control mechanism and for reviewing its effectiveness to safeguard our assets and our Shareholders' interests. Upon the Listing, an enterprise risk assessment will be conducted at least once annually to cover the current and potential risks in our business, including but not limited to the risks arising from ESG and climate-related matters. Our Board will continuously assess or engage qualified independent third parties to evaluate the risks and review our existing strategy, metrics and targets as well as internal controls, and necessary improvement measures will be implemented to manage and mitigate such risks.

In order to effectively conduct ESG work, the Board of the Company established the Corporate Governance Committee which is responsible for reporting to the Board on ESG-related matters regularly. We also set up ESG work targets, covering ESG performance indicators such as three wastes emissions, greenhouse gas emissions, energy use, quality and safety, etc. The Board of the Company regularly reviewed the progress of achieving ESG targets and considered it as part of the key performance indicators and provided relevant action suggestions in respect of the indicators for improvement.

For details of the Company's environmental protection, social responsibility and care for employees, please refer to the "Environmental, Social and Governance" section of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Board and the management, during the Reporting Period, the Group had complied with the relevant laws and regulations that have a significant impact on the business and operations of the Group in all material respects. For the year ended 31 December 2022, there was no material breach or non-compliance of applicable laws and regulations by the Group.

MAJOR RISKS AND UNCERTAINTIES

Risks Relating to Our Business and Industry

We operate in an industry that is subject to rapid and unpredictable changes in consumer demand and trends. The success of our business depends significantly on the continued demand for our products, which in turn depends on the level of acceptance and satisfaction from mass consumers and medical institutions for our products within China's beauty and health product market, such as products based on recombinant collagen and ginsenosides. The industry of and market for such products have been developing rapidly in recent years. However, the prospects of the industry and the market depend on many factors that are beyond our control. Our success is also dependent on our ability to identify and respond to such shifting consumer demand and trends, develop new and appealing products on a timely basis, and achieve acceptance of such new products by our customers. A number of factors could affect the market acceptance of our products, including but not limited to the following:

1. Our ability to address the evolving needs and preferences of our customers and consumers, part of which could in turn be impacted by the changing Chinese regulatory environment;
2. The progress of our R&D efforts, as well as when our products commence commercialization relative to competing products;
3. The safety and efficacy of our products and product candidates, including but not limited to the prevalence and severity of adverse reactions, if any;
4. Pricing and cost effectiveness of our products relative to competing products;
5. Public perception, perceived advantages and brand recognition of our products over competing products;
6. Effectiveness of our sales and marketing efforts and distribution network, as well as the general availability of our products relative to competing products.

In addition, we operate in an industry that is highly regulated and evolving in China. Changes in such regulations may affect the approval and commercialization of our product candidates or cause us to be subject to new or more stringent policies.

Financial Risks

Foreign Currency Risk

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

Credit Risk

Receivable balances are monitored on an on-going basis, and the Group's exposure to bad debts risk is not significant. As of the end of the Reporting Period, the Group was subject to concentrations of credit risk at a certain level, as our cash and cash equivalents were deposited in a few number of financial institutions. As of the end 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.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to Shareholders as a result of their holding of securities of the Company.

SHARE CAPITAL

See Note 27 to the financial statements for details of the changes in the Company's total share capital for the year ended 31 December 2022.

RESERVES AVAILABLE FOR DISTRIBUTION

As of the end of the Reporting Period, the Company's retained profit available for distribution to our Shareholders amounted to RMB2,833.4 million.

PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment movements of the Group during the Reporting Period are set out in Note 13.

As at the end of the Reporting Period, save as disclosed above, the Group had no other investment properties or properties held for development and/or sale with a percentage ratio (as defined in Rule 14.07 of the Hong Kong Listing Rules) exceeding 5%.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the total sales to the Company's top five customers accounted for less than 30%.

For the year ended 31 December 2022, the total purchases from the Company's top five suppliers accounted for less than 30%.

For the year ended 31 December 2022, to the best of the knowledge of the Directors, none of the Directors, their associates or Shareholders of the Company (whom to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in any of the Group's top five customers or top five suppliers during the year.

RELATIONSHIP WITH STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its stakeholders, including Shareholders, employees, suppliers, customers and other business partners, which is the key to the Group's success. The Group will continue to ensure effective communication and maintain sound relationships with its respective stakeholders. The Company's principal relationships with its key stakeholders are set out in the "Environmental, Social and Governance" section of this annual report.

CONNECTED TRANSACTION

Details of the related party transactions for the year ended 31 December 2022 are set out in Note 32 to the consolidated financial statements. None of these related party transactions constitutes a "connected transaction" or a "continuing connected transaction" which needs to be disclosed in this annual report under Chapter 14A of the Listing Rules.

During the Reporting Period, the Group had no connected transactions or continuing connected transactions that are disclosable under the Listing Rules. No contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the Reporting Period.

PRE-EMPTIVE RIGHT

There is no provision for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

LISTING ON THE HONG KONG STOCK EXCHANGE

On 4 November 2022, the Company was listed on the Main Board of the Hong Kong Stock Exchange. The number of Shares under Global Offering was 22,608,800 Shares, comprising the offer of 2,261,200 Shares under Hong Kong Public Offering and the offer of 20,347,600 Shares under International Offering at a par value of US\$0.00001 per Share. The Shares were issued to and subscribed by Hong Kong and overseas investors at an Offer Price of HK\$24.30 per Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.005%) by way of the initial public offering. In regard with the Global Offering, the Company has granted the Over-Allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators at any time during the stabilisation period, from the Listing Date to 27 November 2022 (being the 30th day from the last day for lodging applications under the Hong Kong Public Offering) to require the Company to issue up to an aggregate of 3,391,200 additional Offer Shares at the final Offer Price, representing 15% of the total number of Offer Shares initially available for subscription under the Global Offering prior to the exercise of any Over-Allotment Option. On 25 November 2022, the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) have exercised the Over-Allotment Option in full.

GROSS PROCEEDS FROM THE GLOBAL 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.

► Directors' report

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.

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

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

From the Listing Date to the date of this annual report, neither the Company nor its subsidiaries has purchased, sold or redeemed any of its listed securities.

DEBENTURES ISSUED

During the Reporting Period and up to the date of this annual report, the Group did not issue any debentures.

CHARITABLE AND OTHER DONATIONS

During the Reporting Period, the Group made charitable and other donations totaling approximately RMB6.714 million.

DIRECTORS

During the Reporting Period and up to the date of this annual report, the Directors were as follows:

Executive Directors

Mr. Yan Jianya (*Chairman and chief executive officer*)
Dr. Fan Daidi
Ms. Ye Juan
Ms. Fang Juan

Non-executive Director

Mr. Chen Jinhao

Independent Non-executive Directors

Mr. Huang Jin
Mr. Shan Wenhua
Ms. Wong Sze Wing

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the independent non-executive Directors are independent individuals in accordance with the guidelines set out in the Listing Rules.

SERVICE CONTRACTS OF DIRECTORS

During the Reporting Period, none of the Directors had entered into any service contract with the Company or its subsidiaries which cannot be terminated within one year without compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, none of the Directors or their connected entities had a material interest, either directly or indirectly, in any transaction, arrangement or contract entered into by the Company or its subsidiaries which was significant to the Company.

PERMITTED INDEMNITY

Subject to the relevant regulations, each Director shall be indemnified by the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or which may attach thereto. The Company has purchased insurance against the liabilities and costs associated with proceedings which may be against the Directors.

DIRECTORS' RIGHTS TO SUBSCRIBE FOR SHARES OR DEBENTURES

During the Reporting Period, neither the Company nor its subsidiaries has entered into any arrangements which enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other legal entities.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company, or existed during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors had engaged in or had any interest in any business which, directly or indirectly, competes or is likely to compete with the businesses of the Group and would require disclosure pursuant to the Hong Kong Listing Rules.

ADMINISTRATION AND MANAGEMENT CONTRACTS

During the Reporting Period, the Company had not entered into any administration and management contracts with respect to the entire or principal business of the Company.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" section in this annual report.

AUDITORS

During the Reporting Period, the Company issued overseas listed ordinary shares and was listed on the Main Board of the Hong Kong Stock Exchange, for which Ernst & Young was appointed as auditor. There has been no change in the Company's auditors in the last three years. The financial statements of the Company for the year ended 31 December 2022, prepared in accordance with International Financial Reporting Standards, have been audited by Ernst & Young.

Ernst & Young will retire at the upcoming annual general meeting of the Company for the year 2022. The Company will propose a resolution at its annual general meeting for the year 2022 to re-appoint Ernst & Young as its auditor, with a term commencing on the date of the conclusion of the annual general meeting for the year 2022 to the date of the conclusion of the annual general meeting for the year 2023 of the Company.

RESULTS AND DIVIDENDS

The audited consolidated results of the Company for the year ended 31 December 2022 are set out in the consolidated statements of comprehensive income.

The Board does not recommend the distribution of any final dividends for the year ended 31 December 2022.

During the Reporting Period, there was no arrangement under which a Shareholder has waived or agreed to waive any dividends.

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

Given that the Company was listed on the Stock Exchange on 4 November 2022, Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were not applicable to the Directors or chief executives of the Company until the Listing Date.

▶ Directors' report

So far as is known to the Directors or chief executives of the Company, as of 31 December 2022, the interests or short positions of the Directors and chief executives 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 31 December 2022 ⁽²⁾
Mr. Yan	Interest of spouse; beneficiary of a trust ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	601,004,935	60.40%
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 31 December 2022.
- (3) Juzi Holding Co., Ltd ("Juzi Holding") is wholly owned by Refulgence Holding Limited ("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 Co., Ltd ("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 Limited ("GBEBT Holding") is a platform holding the underlying incentive Shares under the RSU Scheme, and its voting rights was entrusted with 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.
- (7) Mr. Yan, the 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, the 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, the 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.

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

Given that the shares of the Company are listed on the Stock Exchange on 4 November 2022, Division 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to substantial shareholders of the Company until the Listing Date.

So far as is known to the Directors or chief executives of the Company, as of 31 December 2022, the following persons (other than Directors or chief executives 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 31 December 2022 ⁽²⁾
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%
Healing Holding ⁽⁴⁾	Beneficial owner	900,000	0.09%
GBEBT Holding ⁽⁵⁾	Beneficial owner	19,000,000	1.91%
Trident Trust Company (HK) Limited ⁽⁵⁾	Trustee	19,000,000	1.91%

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 31 December 2022.
- (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 rights was entrusted with 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.



▶ Directors' report

Except as disclosed above, the Directors or chief executives of the Company are not aware of any other person who had any interests or short positions in the Shares or underlying shares of our Company at the date of this annual report which would fall to be disclosed to us 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.

EMPLOYEE INCENTIVE PLAN

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 is 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 of the date of this annual report (the "**RSU Scheme Limit**").

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.

Grant Price. 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 price is determined by multiplying the latest round of financing price by a certain discount, and in principle, it shall not 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 contributed or will contribute to the Group.

Vesting of RSUs. The RSUs granted to each RSU Participant are expected to be vested in five equal installments, 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.

► Directors' report

Details of the RSUs granted to Directors, senior managers and connected persons of our Company 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 2022	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 31 December 2022
Mr. Yan	Chairman of the Board, executive Director and chief executive officer	2021/12/8	5,107,833	5,107,833	-	-	-	-	5,107,833
		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	-	-	-	-	475,000
		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	-	-	-	-	633,333
		2022/9/26	222,000	-	222,000	-	-	-	222,000
Ms. Yan Yajuan	Senior vice president	2021/12/8	522,500	522,500	-	-	-	-	522,500
		2022/9/26	215,000	-	215,000	-	-	-	215,000
Ms. Zhang Huijuan	Chief financial officer	2022/9/26	800,000	-	800,000	-	-	-	800,000
Mr. Duan Zhiguang	Senior vice president	2022/9/26	510,000	-	510,000	-	-	-	510,000
<i>Subtotal</i>			14,043,335	6,738,666	7,304,669	-	-	-	14,043,335
Employees except for the Directors, senior management or the five highest paid employees of the Group		2021/12/8	2,615,665	2,685,332	-	-	-	69,667	2,615,665
		2022/9/26	2,341,000	-	2,341,000	-	-	-	2,341,000
Total			19,000,000	9,423,998	9,645,669	-	-	69,667	19,000,000

All the RSUs with a total of 19,000,000 underlying Shares had been granted prior to the date of this annual report.

See note 3 and note 29 to the financial statements for details of the accounting judgement and estimate and the fair value on the grant date for the year ended 31 December 2022.

MATERIAL LITIGATIONS

The Company was not involved in any material litigation or arbitration during the Reporting Period.

SUBSEQUENT EVENTS AFTER THE PERIOD

After the Reporting Period and up to the date of this annual report, there was no other material events that would have a significant adverse impact on the performance and value of the Group.

REVIEW OF ANNUAL RESULTS AND APPROVAL OF ANNUAL REPORT

The Audit Committee of the Company comprises Ms. Wong Sze Wing (chairman), Mr. Huang Jin and Mr. Shan Wenhua, each of whom is our independent non-executive Director. The Audit Committee of the Company has reviewed the audited annual results and annual report of the Company for the year ended 31 December 2022. The annual report and the consolidated financial statements of the Group for the year ended 31 December 2022 have been approved and authorized for issue by the Board on 27 March 2023.

SUFFICIENT PUBLIC FLOAT

According to the information publicly available to the Company and to the best knowledge of the Directors of the Company, from the Listing Date and up to the date of this annual report, the Company has maintained the sufficient public float required by the Listing Rules.

APPRECIATION

The Company would like to express its sincere gratitude to all employees for their outstanding contributions to the development of the Group. The Board would like to express its profound appreciation to the management for their dedication and diligence, which are the key to the Company's continuous success in the future. In addition, the Company would like to express its genuine gratitude to our Shareholders, customers and business partners for their continuous support. The Company will remain committed to sustainable businesses, so as to create more value for Shareholders.

By order of the Board

Giant Biogene Holding Co., Ltd

YAN Jianya

Chairman of the Board

DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Yan Jianya, aged 56, was appointed as a Director on 30 November 2021 and is currently an executive Director, the chairman of the Board, the chief executive officer, chairman of both the Nomination Committee and Corporate Governance Committee and a member of the Remuneration Committee of the Company. Mr. Yan founded our Group in May 2000. He is a director and general manager of certain operating subsidiaries of our Group, including Xi'an Giant Biogene and Shaanxi Giant Biotechnology. In 2002, Mr. Yan founded Xi'an Weili Communication Co., Ltd. (西安威力通信有限責任公司) (the predecessor of Xi'an Triangle Defense Incorporated Company (西安三角防務股份有限公司) (a company listed on the ChiNext Market of Shenzhen Stock Exchange, stock code: 300775) ("Triangle Defense")) and has been serving as the chairman of the board of Triangle Defense since September 2015. He served as a director of Xi'an Libang Clinical Nutrition Corporation., Ltd. (西安力邦臨床營養股份有限公司) (a company listed on the National Equities Exchange and Quotations, stock code: 835791) from August 2019 to March 2020. Mr. Yan obtained a bachelor's degree in chemical engineering from Northwest University (西北大學) in the PRC in July 1988. Mr. Yan is (i) the spouse of Dr. Fan Daidi, the executive Director and chief scientific officer of the Company, (ii) the father of Ms. Yan Yubo, the joint company secretary and board secretary of the Company, and (iii) the brother of Ms. Yan Yajuan, the senior vice president of the Company.

Dr. Fan Daidi, aged 56, was appointed as a Director of the Company on 28 July 2021 and is currently an executive Director and the chief scientific officer of the Company. Dr. Fan founded our Group in May 2000. From May 2000 to December 2020, she served as director and general manager of certain operating subsidiaries of our Group, including Xi'an Giant Biogene and Shaanxi Giant Biotechnology. She served as a vice dean in the School of Chemical Engineering of Northwest University (西北大學化工學院) in the PRC from March 2005 to July 2016. Dr. Fan currently holds positions in, among others, the following institutions in the PRC: the dean in School of Chemical Engineering of Northwest University (西北大學化工學院) from July 2021 to present, a director in National Local Joint Engineering Research Center for Biomaterials (生物材料國家地方聯合工程研究中心) from July 2012 to present, a vice director in Academic Committee of Northwest University (西北大學學術委員會) from December 2017 to present, and the dean in Institute of Biomedical Research of Northwest University (西北大學生物醫藥研究院) from April 2017 to present. Dr. Fan obtained a bachelor's degree in inorganic chemical engineering in July 1988 and a master's degree in chemical engineering in July 1991 from Northwest University in the PRC. She obtained a doctoral degree in chemical engineering from East China University of Science and Technology (華東理工大學) in the PRC in July 1994. She was a senior visiting scholar at the National Center for Biological Engineering at Massachusetts Institute of Technology in the United States from January 1999 to January 2000. Dr. Fan is (i) the spouse of Mr. Yan Jianya, the chairman of the Board, executive Director and chief executive officer of the Company, (ii) the mother of Ms. Yan Yubo, the joint company secretary and board secretary of the Company, and (iii) the sister-in-law of Ms. Yan Yajuan, the senior vice president of the Company.

► Directors and senior management

Ms. Ye Juan, aged 51, was appointed as a Director on 30 November 2021 and is currently an executive Director and a senior vice president of our Company. Ms. Ye has around 20 years of experience in the biotechnology and technical engineering industries. Prior to joining our Group, Ms. Ye worked in the risk management department in China Construction Bank Corporation (a company listed on the Shanghai Stock Exchange (stock code: 601939) and the Hong Kong Stock Exchange (stock code: 939)) from July 1993 to May 2003. She then served as a deputy general manager and subsequently a board secretary in Xi'an Starwave (USA) Communication Equipment Co., Ltd. (西安達威(美國)通信設備有限公司) from July 2003 to February 2010. She then served as a board secretary in Well Logging Energy Technology Xi'an Co., Ltd. (西安威爾羅根能源科技有限公司) from April 2010 to December 2015. She joined our Group in April 2016 as a deputy general manager of Xi'an Giant Biogene and has served as its director since May 2020. Ms. Ye obtained a bachelor's degree in law from Northwestern Polytechnical University (西北工業大學) in the PRC in July 2002.

Ms. Fang Juan, aged 49, was appointed as a Director on 30 November 2021 and is currently an executive Director and a senior vice president and a member of the Corporate Governance Committee of the Company. Ms. Fang has over 20 years of experience in the biotechnology industry. She joined our Group in December 2000 as a manager of Xi'an Giant Biogene and has served as its deputy general manager and director since December 2003 and May 2020, respectively. Ms. Fang obtained a college degree in international enterprise management from Shaanxi College of Finance and Economics (陝西財經學院) (currently known as School of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院)) in July 1995.

Mr. Chen Jinhao, aged 42, was appointed as a Director of the Company on 30 November 2021 and is currently a non-executive Director of the Company. Mr. Chen has over 15 years of experience in the investment and strategic management industry. He worked as a co-director in Guangdong Infore Investment Management Co., Ltd. (廣東盈峰創業投資管理有限公司) from December 2009 to November 2010, an investment general manager in Bank of China Investment Zheshang Industry Fund Management Co., Ltd. (中銀投資浙商產業基金管理有限公司) from November 2010 to February 2013, a senior investment manager in China Life Investment Holdings Company Limited (國壽投資控股有限公司) from May 2014 to September 2016, a managing director from October 2016 to December 2020 in China Life Private Equity Investment Company Limited (國壽股權投資有限公司), an executive director and chief executive officer at Town Health International Medical Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 03886) from December 2019 to March 2021, and concurrently a director at Dareway Software Co., Ltd. (山大地緯軟件股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 688579) from August 2017 to December 2020. Mr. Chen has served as a managing director of Beijing Panmao Investment Management Co., Ltd. (北京磐茂投資管理有限公司) since January 2021, a director of Beijing Shenrui Bolian Technology Co., Ltd. (北京深睿博聯科技有限責任公司) since May 2021, a director of CPE Collagen Investment Limited since August 2021, a limited partner of Tianjin Panmao Corporate Management Limited Partnership (天津磐茂企業管理合夥企業(有限合夥)) since July 2021, and a director of Shenzhen SiBionics Co. Ltd. (深圳矽基仿生科技有限公司) since January 2022. He has also been a representative of the managing partner (執行事務合夥人委派代表) in Shanghai Rongping Enterprise Management Limited Partnership (上海鎔平企業管理合夥企業(有限合夥)) since June 2021, a representative of the managing partner in Tianjin Yuanfeng Ronghe Corporate Management Limited Partnership (天津源峰鎔和企業管理合夥企業(有限合夥)) since April 2021, a representative of the managing partner in Tianjin Rongtai Corporate Management Limited Partnership (天津鎔肽企業管理合夥企業(有限合夥)) since June 2021 and a representative of the managing partner in Tianjin Yuanfeng Rongsheng Corporate Management Limited Partnership (天津源峰鎔笙企業管理合夥企業(有限合夥)) since July 2021. Mr. Chen obtained a bachelor's degree in mathematics from Sun Yat-sen University (中山大學) in the PRC in June 2001 and a master's degree in business administration from University of Wales in the United Kingdom in July 2003.

► Directors and senior management

Mr. Huang Jin, aged 63, was appointed as an independent non-executive Director on 21 April 2022, with effect on 6 October 2022. Mr. Huang is currently a member of the Audit Committee and Nomination Committee of the Company respectively. Mr. Huang has around 40 years of experience in the field of law. He has held various positions in Wuhan University (武漢大學) from December 1984 to February 2009, including assistant lecturer, lecturer, assistant professor, professor, and vice principal. He then was appointed as a professor and the principal of China University of Political Science and Law (中國政法大學) from February 2009 to April 2019. He has been the president of the China Society of Private International Law (中國國際私法學會) since 2003. He is currently a professor of the Academy of Comprehensive Rule of Law (China University of Political Science and Law) (中國政法大學全面依法治國研究院). He has served as a director of Beijing Baimtec Material Co., Ltd. (北京航空材料研究院股份有限公司) since December 2021. Mr. Huang obtained a bachelor's degree in law from Hubei College of Finance and Economics (湖北財經學院) (currently known as the Zhongnan University of Economics and Law (中南財經政法大學)) in the PRC in January 1982. He obtained a master's degree in December 1984 and a doctoral degree in June 1988, both in international law, from Wuhan University (武漢大學) in the PRC.

Mr. Shan Wenhua, aged 52, was appointed as an independent non-executive Director on 21 April 2022, with effect on 6 October 2022. Mr. Shan is currently the chairman of the Remuneration Committee and a member of each of the Audit Committee, Nomination Committee and Corporate Governance Committee of the Company. Mr. Shan has extensive experience in the field of law. He was a lecturer and a vice researcher at the School of Law at Xiamen University (廈門大學) from 1996 to 1998. He was a visiting researcher at the Lauterpacht Centre for International Law at the University of Cambridge from 1998 to 1999. He then held various positions including lecturer, senior lecturer, reader, and professor in the Law School of Oxford Brookes University from 2002 to 2013. He was a

visiting researcher at the National University of Singapore from 2004 to 2005. From 2005 to 2007, he served as the dean of the School of Humanities and Social Science at Xi'an Jiaotong University (西安交通大學), during which he was appointed as The Distinguished Professor for the Soar Scholar Talent Program (騰飛學者特聘教授). He assisted Xi'an Jiaotong University to found its School of Law in 2008 and was appointed as its first dean. He served as a Senior Fellow at the Lauterpacht Centre for International Law at the University of Cambridge from 2013 to 2020, and the assistant to the principal of Xi'an Jiaotong University from 2016 to 2018. He concurrently served as the dean of the School of International Education at Xi'an Jiaotong University from 2016 to 2021. Mr. Shan obtained the PRC lawyer certificate from the PRC Ministry of Justice in 1994. He was selected as a Special Government Allowance Expert by the PRC State Council in 2009 and as a Changjiang Scholar Chair Professor by the PRC Ministry of Education in 2008. He was then selected as member of two national talent plans. Mr. Shan obtained the Qian Duansheng Award for Legal Research in 2014 from the Fund of Qian Duansheng Award for Legal Research, the First Pioneer Award for Innovative Talents in Chinese Think Tanks from the Chinese Academy of Social Sciences and the Chinese Academy of Social Science Evaluation Studies in 2018, and the Springer-Nature Award for New Developments in China from Springer-Nature in 2019. He was awarded with the First Prize for Outstanding Achievements in Philosophy and Social Sciences of Shaanxi Province by the Shaanxi Provincial People's Government in 2019 and the First-class prize of Excellent Achievements in Scientific Research (Humanities and Social Sciences) of Higher Education Institutions by the PRC Ministry of Education in 2020. Mr. Shan obtained a bachelor's degree in law in July 1991 from the Sun Yet-Sen University in the PRC, a master's degree in corporate management from Jinan University (暨南大學) in the PRC in June 1994, a doctoral degree in international economic law from Xiamen University (廈門大學) in July 1996, and a doctoral degree in international law from the University of Cambridge in the United Kingdom in May 2004.

► Directors and senior management

Ms. Wong Sze Wing, aged 44, was appointed as an independent non-executive Director on 21 April 2022, with effect on 6 October 2022. Ms. Wong is currently the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Ms. Wong has over twenty years of experience in accounting and management. She served as a manager at PricewaterhouseCoopers from September 2001 to October 2006. She then successively served as the chief financial officer of Orange Sky Entertainment Group (International) Holding Company Limited (橙天娛樂集團(國際)控股有限公司) from August 2007 to July 2008. She served as the joint company secretary of Yingde Gases Group Company Limited (盈德氣體集團有限公司) from February 2009 to March 2017 and has served as its chief financial officer since July 2010. She has been an independent non-executive director of Orange Sky Golden Harvest Entertainment (Holdings) Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1132) since April 2010, an independent non-executive director of Rici Healthcare Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1526) since June 2016, and an independent non-executive director of Wangsu Science & Technology Co., Ltd. (網宿科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 300017) since March 2017, an independent non-executive director of Ganfeng Lithium Group Co., Ltd. (a company listed in Hong Kong Stock Exchange (stock code: 1772) and Shenzhen Stock Exchange (stock code: 002460)) since July 2018. She also served as an independent director of Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002236) from April 2017 to August 2020 and an independent non-executive director of Xinjiang La Chapelle Fashion Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 06116) from January 2021 to June 2021. Ms. Wong obtained a bachelor's degree in business administration from the University of Hong Kong (香港大學) in Hong Kong in November 2001. She also obtained an EMBA from the China Europe International Business School (中歐國際工商學院) in the PRC in July 2012. Ms. Wong became a chartered member and then a fellow of the Hong Kong Institute of Certified Public Accountants in February 2004 and July 2016, respectively.

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

For the biographies of Mr. Yan Jianya, Dr. Fan Daidi, Ms. Ye Juan and Ms. Fang Juan, please refer to the "BIOGRAPHICAL DETAILS OF DIRECTORS" section above.

Ms. Zhang Huijuan, aged 36, is the chief financial officer of our Company. Ms. Zhang has around 14 years of experience in accounting and financial management. Prior to joining our Group, she was a senior auditor in the Tianjin Branch of Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)) from July 2008 to December 2010. She then joined Xi'an Branch of PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) as an audit manager from January 2011 to September 2018. She served as the financial director at Easy Click Worldwide Network Technology Co., Ltd. (易點天下網絡科技股份有限公司) from April 2019 to January 2022. Ms. Zhang obtained the certificate of certified public accountant from the PRC Ministry of Finance in December 2017, the certificate of certified internal auditor from the Institute of Internal Auditors in March 2015, and the certificate of intermediate accountant from the PRC Ministry of Human Resources and Social Security and the PRC Ministry of Finance in October 2013. Ms. Zhang obtained a bachelor's degree in Japanese (international business) from Tianjin Foreign Studies University (天津外國語大學) in July 2008.

Ms. Yan Yubo, aged 27, is a joint company secretary and the board secretary of our Company. Ms. Yan joined Xi'an Giant Biogene in October 2018 as the board secretary and has been responsible for the affairs related to the Group's financing, investor relationship management and corporate governance since then. Ms. Yan obtained the certificate of Financial Risk Manager (FRM) from the Global Association of Risk Professionals in March 2021, the securities qualification certificate from the Securities Association of China in April 2021, the certificate of board secretary from Shanghai Stock Exchange in September 2020, the certificate of board secretary from Shenzhen Stock Exchange in July 2020, and the qualification certificate of fund practitioner from the Asset Management Association of China in November 2019. Ms. Yan obtained a bachelor's degree from the University of Toronto in Canada in June 2017, double majoring in financial economics and statistics. Ms. Yan obtained a master's degree in applied economics from the University of California, Los Angeles in the United States in June 2018.

► Directors and senior management

Mr. Duan Zhiguang, aged 41, is a senior vice president of our Company. Mr. Duan has around 16 years of experience in the development of biomedical materials and related medical devices, biomanufacturing research of highly active natural products and the development of related products. He has been the director of R&D at Shaanxi Giant Biotechnology since February 2012 and has taken charge of the development of rare ginsenosides and other highly active natural products, medical device products, functional foods and anti-tumor drugs. Before joining our Group, Mr. Duan was a lecturer of Northwest University from July 2012 to June 2018 and has been an associate professor of Northwest University since July 2018. He was a reviewer of Fine Chemicals from March 2019 to August 2022 and has been serving as a member of the Third Council of Xi'an Chemical and Pharmaceutical Association since 2019. Mr. Duan was awarded with the First Prize of Shaanxi Provincial Technical Invention and the First Prize of Science and Technology Award of Shaanxi Province by the People's Government of Shaanxi Province, respectively in December 2021 and in February 2018. He was awarded with the First Prize of Science and Technology Award of Shaanxi Higher Education Institution by the Department of Education of Shaanxi Province in April 2017, the First Prize of China Petroleum and Chemical Industry Federation Science and Technology Award by the China Petroleum and Chemical Industry Federation in November 2016, the First Prize of Xi'an City Science and Technology Award by the Xi'an People's Government in March 2016. Mr. Duan obtained a bachelor's degree in biotechnology from Henan Agricultural University (河南農業大學) in the PRC in July 2005, a master's degree in microbiology from Northwest University in the PRC in June 2008, and a doctoral degree in biochemical engineering from Northwest University in the PRC in June 2012.

Ms. Yan Yajuan, aged 53, is a senior vice president of our Company. Ms. Yan has over 30 years of experience in the biotechnology and technical engineering industries. Prior to joining our Group, Ms. Yan worked as a technician in Wugong Chemical Plant (武功化工廠) from July 1990 to July 1994, and subsequently as a workshop manager in Xianyang Great Wall Group Corporation (咸陽市長城集團總公司) from March 1994 to July 2002. Ms. Yan has been serving as the production technology director and deputy general manager of Xi'an Giant Biogene since March 2002, and its director since December 2020. Ms. Yan obtained a diploma in inorganic chemical engineering from the Northwest University in the PRC in December 1990.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT UNDER RULE 13.51B(1) OF THE LISTING RULES

As of the date of this annual report, there is no change in the information of Directors and senior management required to be disclosed pursuant to the Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its Shareholders. The principles of the Company's corporate governance are to promote effective internal controls and to enhance the transparency and accountability of the Board to all 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's corporate governance practices are based on the principles and code provisions under the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 4 November 2022. Since then, the Company has complied with the corporate governance requirements under the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. In the opinion of the Board, the Company has complied with all applicable code provisions set out in the Corporate Governance Code throughout the period from the Listing Date and up to the date of this annual report, save for the deviations from code provision C.2.1, as further explained in the section on "Chairman and Chief Executive Officer" below.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and development of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and are in line with latest development.

BOARD OF DIRECTORS

Composition of the Board

As of the date of this annual report, the members of the Board are set out below:

Executive Directors

Mr. Yan Jianya (*chairman of the Board and chief executive officer*)

Dr. Fan Daidi

Ms. Ye Juan

Ms. Fang Juan

Non-executive Director

Mr. Chen Jinhao

Independent Non-executive Directors

Mr. Huang Jin

Mr. Shan Wenhua

Ms. Wong Sze Wing

An updated list of Directors and information on their roles and functions is available on the websites of Company and Hong Kong Stock Exchange. Biographical details of the Directors are set out in the section headed "Directors and Senior Management".

Save as disclosed in the section headed "Directors and Senior Management", to the best knowledge of the Company, there are no relationships (including financial, business, family or other material/relevant relationships) between the Directors and senior management.

Independent Non-Executive Directors

From the Listing Date to the end of the Reporting Period, the Board has complied with the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in relation to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Board has received an annual written confirmation from each of the independent non-executive Directors in respect of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company is of the view that all of them are independent.

The Board and our Management

The Board is responsible for, and has the general authority of, the management and operation of the Company. It is in charge of all major decisions of the Company, including the approval and monitoring of all major policies and overall strategies of the Group, internal control and risk management systems, notifiable and connected transactions, nomination of Directors and joint company secretaries and other significant financial and operational matters. The senior management as delegated by the Board, is responsible for the day-to-day management of the business of the Company.

Chairman and Chief Executive Officer

In accordance with code provision C.2.1 of the Corporate Governance Code, the roles of the chairman of the Board and the chief executive officer should be distinct and should not be performed by the same individual. The division of responsibilities between the chairman of the Board and the chief executive officer should be clearly defined and set out in writing. The Company does not separate the roles of chairman of the Board and chief executive officer and both roles are currently performed by Mr. Yan Jianya. In view of Mr. Yan's substantial contribution to the 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 the Group and facilitate the efficient execution of the business strategies. The Company considers it appropriate and beneficial to the business development and prospects that Mr. Yan Jianya continues to act as both the chairman of the Board and chief executive officer, and therefore currently does not propose to separate the functions of chairman of the Board and chief executive officer.

Board Meetings/General Meetings and Attendance of Directors

The Company adopts the practice of holding Board meetings regularly, at least four times a year and at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board meetings and Board committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board committee members at least three days before the date of such meeting to ensure that they have sufficient time to review the papers and are adequately prepared for the meeting. If a Director or Board committee member is unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to inform the chairman of their views prior to the meeting.

The matters considered and decisions reached by the Board and Board Committees during the meetings are recorded in sufficient details in the minutes of the meetings. Details of such minutes include, but are not limited to, any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting should have been sent to the relevant Directors for their comments within a reasonable time after the meeting is held. All minutes shall be maintained by the joint company secretaries and are available for inspection by the Directors and Board Committee members.

► Corporate governance report

As the Company was listed on the Main Board of the Hong Kong Stock Exchange on 4 November 2022, the Company did not convene any Board meetings, meetings of the specialized committees of the Board or general meetings from the Listing Date to the end of the Reporting Period. The Company held one Board meeting, one Audit Committee meeting, one Nomination Committee meeting, one Remuneration Committee meeting, one Corporate Governance Committee meeting and did not hold any general meetings during the period from the Listing Date to the date of this annual report. The attendance of the Directors at the Board meetings and the meetings of the specialized committees of the Board during the period from the Listing Date to the date of this annual report is set out below:

Name of Directors	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Mr. Yan Jianya	1/1	–	1/1	1/1	1/1
Dr. Fan Daidi	1/1	–	–	–	–
Ms. Ye Juan	1/1	–	–	–	–
Ms. Fang Juan	1/1	–	–	–	1/1
Mr. Chen Jinhao	1/1	–	–	–	–
Mr. Huang Jin	1/1	1/1	–	1/1	–
Mr. Shan Wenhua	1/1	1/1	1/1	1/1	1/1
Ms. Wong Sze Wing	1/1	1/1	1/1	–	–

In addition to the above meetings, from the Listing Date and up to the date of this annual report, Mr. Yan Jianya, the chairman of the Board, held one meeting with the independent non-executive Directors without the presence of the other Directors.

Director's Service Agreement

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of three years commencing from 30 November 2021 or until the third annual general meeting of the Company from the Listing Date, whichever is earlier, subject always to re-election in accordance with the Articles of Association. Each of the non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from 30 November 2021 or until the third annual general meeting of the Company from the Listing Date, whichever is earlier, subject always to re-election in accordance with the Articles of Association. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from 6 October 2022 or until the third annual general meeting of the Company from the Listing Date, whichever is earlier, subject always to re-election in accordance with the Articles of Association.

During the Reporting Period, none of the Directors had entered into any service contract with the Company or its subsidiaries which cannot be terminated within one year without compensation (other than statutory compensation).

Appointment and Re-election of Directors

Pursuant to Article 26.3 of the Articles of Association, the Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director appointed in this way shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

Pursuant to Article 26.4 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Ms. Ye Juan, Ms. Fang Juan, Mr. Chen Jinhao, Mr. Huang Jin, Mr. Shan Wenhua and Ms. Wong Sze Wing will retire by rotation at the annual general meeting in accordance with the Articles of Association and, being eligible, offer themselves for re-election. Details of the re-election are set out in the circular regarding general meeting to be published by the Company in due course.

Training and Professional Development

In accordance with code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills, in order to ensure that their contribution to the Board remains informed and relevant.

To assist Directors in developing and updating their knowledge and skills, internally-facilitated Board briefings will be arranged and, where appropriate, written materials on relevant topics will be made available to Directors. All Directors are encouraged to attend relevant training courses at the Company's expense.

▶ Corporate governance report

During the Reporting Period, the Company also arranged for its Hong Kong listing legal advisers to conduct training for all Directors, including independent non-executive Directors. The training sessions covered a wide range of relevant topics, including Directors' duties and responsibilities, corporate governance and the requirements of the Listing Rules.

Directors are required to provide the Company with details of the training they have received during each financial year in order to maintain appropriate training records. The training received by the Directors during the Reporting Period is as follows:

Name of Directors	Continuing Professional Development Training Categories
Mr. Yan Jianya	A & B
Dr. Fan Daidi	A & B
Ms. Ye Juan	A & B
Ms. Fang Juan	A & B
Mr. Chen Jinhao	A & B
Mr. Huang Jin	A & B
Mr. Shan Wenhua	A & B
Ms. Wong Sze Wing	A & B

Notes:

A: Attend seminars, conferences, forums and/or training courses arranged by the Company or external organizations

B: Read carefully materials provided by the Company or external parties, such as those relating to the Company's business updates, Directors' duties and responsibilities, corporate governance and regulatory updates and other applicable regulatory requirements.

Mechanism for Directors to Obtain Independent Views and Opinions

At Board meetings, the Directors are free to express their views and important decisions are subject to detailed discussion before they are made. If the Directors consider it necessary to seek advice from an independent professional institution, they may engage an independent professional institution in accordance with the procedures and at the expense of the Company. If a Director has an interest in a matter proposed by the Board, the relevant Director must withdraw from the discussion of the relevant proposal and abstain from voting, and the Director will not be counted in the quorum for voting on the resolution. In addition, the independent non-executive Directors should also express an objective and impartial independent opinion on matters discussed by the Company. The independent non-executive Directors of the Company do not hold any position in the Company other than that of a Director, do not have any relationship with the Company and the Company's substantial shareholders that might influence their independent and objective judgement, and do not have any business or financial interests in the Company or the Company's subsidiaries. During the Reporting Period, the participation of independent non-executive Directors therefore effectively ensures that there is a strong and sufficient element of independence on the Board. The Board will review the implementation and effectiveness of the above mechanism annually.

Board Committees

The Company has established four board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. From the Listing Date to the end of the Reporting Period, the Audit Committee comprises Ms. Wong Sze Wing, Mr. Huang Jin and Mr. Shan Wenhua, each of whom is an independent non-executive Director. Ms. Wong Sze Wing, being the chairperson of the Audit Committee, has appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit. The main terms of reference of the Audit Committee include (but not limited to):

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any issues related to its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

► Corporate governance report

- (d) to review the Company's financial controls, and to review the Company's risk management and internal control systems;
- (e) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;
- (f) to review the Company's internal audit function to ensure co-ordination between the internal and external auditors; and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer; and to review and monitor its effectiveness.

The Audit Committee is also responsible for performing the Company's corporate governance functions, including (but not limited to):

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
- (e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company.

As the Company was listed on the Hong Kong Stock Exchange on the Listing Date, no meeting of the Audit Committee was convened during the Reporting Period. On 27 March 2023, the Company convened an Audit Committee meeting, reviewed the audited consolidated financial statements, results announcement and annual report draft of the Group during the Reporting Period, reviewed and discussed key internal audit matters, financial reporting system, risk management and internal control systems, discussed the re-appointment of the external auditors and made recommendations to the Board.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing financial statements which should give a true and fair view of the state of affairs of the Company and of the results and cash flows for the relevant reporting period.

In preparing the financial statements, the Board has adopted International Financial Reporting Standards and appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable, and prepared the financial statements on a going concern basis. The Board is responsible for ensuring that the Company maintains proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for auditing and reporting its opinion on the financial statements of the Company. The independent auditor's report for the Reporting Period is set out in the section headed "Independent Auditor's Report" of this annual report.

Auditor's remuneration

The Company appointed Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor, as the auditor for the year ended 31 December 2022. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 113 to 117.

Audit fees of the Group for the year ended 31 December 2022 payable to the external auditor were approximately RMB1.87 million and the Group incurred approximately RMB0.57 million in 2022 for non-audit services related to internal control review.

Details of the fees paid or payable to the Company's auditor, in respect of the audit and non-audit services for the year ended 31 December 2022 are set out in the table below:

Services rendered for the Company	RMB'000
Audit service	1,874
Non-audit service	572

The fees excluded the service fees payable to Ernst & Young as the reporting accountant of the Company in connection with the IPO.

Nomination Committee

The Company has established the Nomination Committee in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. From the Listing Date to the end of the Reporting Period, the Nomination Committee comprises Mr. Yan Jianya, Mr. Huang Jin and Mr. Shan Wenhua. Mr. Yan Jianya currently serves as the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee include (but are not limited to):

- to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- to assess the independence of independent non-executive Directors;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman or chairlady and the chief executive); and

(e) to review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosures of its progress on its review results in the annual report of the Company annually.

As the Company was listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date, no meeting of the Nomination Committee was convened during the Reporting Period. On 27 March 2023, the Company convened a Nomination Committee meeting, reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, reviewed the effectiveness of the Board Diversity Policy and made recommendations to the Board for re-election of Directors at the annual general meeting.

► Corporate governance report

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve and maintain diversity in the Board. Pursuant to the Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. The Company has also considered its own business model and special needs. The ultimate selection of Director candidates is based on merits of the candidates and contribution that the candidates will bring to the Board.

The Board has a balanced mix of experience and skills, including but not limited to overall business management, research and development, and finance and accounting. As of the date of this annual report, the Board has four male and four female Directors, achieving gender diversity on the Board. The Board will maintain the number of female Directors if suitable candidates are available in the future to ensure that gender diversity on the Board continues to be met in the coming years. The Board considers that the current composition of the Board is consistent with the Board Diversity Policy based on the principle of meritocracy, and the Board Diversity Policy of the Company ensures that the Board will have the potential candidates for succession to extend the existing gender diversity of the Board.

The Nomination Committee of the Company is responsible for the implementation of the Board Diversity Policy. During the Reporting Period, the Nomination Committee reviewed the Board Diversity Policy from time to time to ensure its continued effectiveness.

The Company is committed to promoting gender diversity, not only within the Board but also among its workforce. As of the end of the Reporting Period, the gender ratio of the Company's employees (including senior management) is as follows:

Male	40.8%
Female	50.2%
Total	100%

Based on the above, the composition of the Company's employees has met and is expected to maintain a reasonable level of gender diversity.

Nomination procedure

If a Shareholder wishes to propose a person other than a Director of the Company for election as a Director, the Shareholder must deposit a written notice (the "Notice") to the principal office and principal place of business in Hong Kong, 5/F Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, for the attention of the joint company secretaries of the Company. The Notice must state clearly the name, the contact information of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent (the "Letter of Consent") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgement of the Notice and the Letter of Consent will commence from the day after the dispatch of the notice by the Company of the general meeting appointed for election of Directors and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which the Notice to the Company may be given will be at least seven days.

The Notice will be verified by the joint company secretaries with the Hong Kong share registrar of the Company and upon their confirmation that the request is proper and in order, the joint company secretaries will ask the Nomination Committee and the Board of the Company to consider to include the particulars of such proposed person for election as a Director in its announcement or supplementary circular and to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

Remuneration Committee

The Company has established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. From the Listing Date to the end of the Reporting Period, the Remuneration Committee comprises Mr. Shan Wenhua, Mr. Yan Jianya and Ms. Wong Sze Wing. Mr. Shan Wenhua currently serves as the chairman of the Remuneration Committee.

► Corporate governance report

The main terms of reference of the Remuneration Committee include (but are not limited to):

- (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) to make recommendations to the Board on the remuneration of non-executive Directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (f) to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

As the Company was listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date, no meeting of the Remuneration Committee was convened during the Reporting Period. On 27 March 2023, the

Company convened a Remuneration Committee meeting, and reviewed the remuneration packages of individual executive Directors and senior management, remuneration of non-executive Directors and remuneration policies and structures of all Directors and senior management.

Remuneration Policy

The Company offers the executive Directors and senior management, as its employees, with remuneration in the form of salaries, allowances, benefits in kind, performance-related bonuses, equity-settled share award, pensions, and other social insurance benefits, which is determined based on the factors such as market conditions, the Company's performance and their performance assessment results by the Board. Non-executive Directors and independent non-executive Directors also receive compensation according to their duties with reference to prevailing market terms (including serving as members or chairperson of the board committees).

The Company recruits new employees through campus recruiting and experienced recruiting. The Company also engages third-party recruiters to reach candidates with an education background in biology, chemistry and other relevant subjects and R&D working experiences in medical or cosmetics companies for its R&D team. The Company evaluates each candidate based on their educational background, professional knowledge, necessary skills, interview performance, relevant experience, and professional ethics. As part of its human resources strategy, the Company offers employees competitive salaries, performance-based cash bonuses and other incentives. The Company has adopted a comprehensive training protocol, pursuant to which the Company provides pre-employment training to its new employees and internal transfer employees, and regular continuing technical training to its employees. The Company also provides necessary to employees who are responsible for quality controls to ensure that they are competent for their work.

As required under PRC regulations, The Company participates in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity, and unemployment benefit plans.

► Corporate governance report

In accordance with code provision E.1.5 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of senior management (including senior management who are also executive Directors) by band for the Reporting Period is as follows:

Annual Remuneration	Number of Individuals
Nil to RMB1,000,000	3
RMB1,500,000 to RMB2,000,000	2
Above RMB2,000,000	2

Further details of Directors' remuneration during the Reporting Period are set out in note 8 to the consolidated financial statements of this annual report. The Company confirmed that none of the Directors had waived or agreed to waive any emoluments during the Reporting Period and that no emoluments were paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office.

Corporate Governance Committee

The Company has established the Corporate Governance Committee with written terms of reference. From the Listing Date to the end of the Reporting Period, the Corporate Governance Committee comprises Mr. Yan Jianya, Ms. Fang Juan and Mr. Shan Wenhua. Mr. Yan Jianya currently serves as the chairman of the Corporate Governance Committee.

The terms of reference of the Corporate Governance Committee:

- to develop and review the Company's policies and practices on corporate governance and Environmental, Social and Governance (ESG) and make recommendations to the Board;
- to review and monitor the training and continuing professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) that applicable to the Directors and employees of the Group (excluding for this purpose any special purpose bankruptcy remote entity);
- to review the Company's compliance with the Corporate Governance Code and the ESG Reporting Guide in accordance with the Listing Rules and disclosures in the Corporate Governance Report and the ESG Report in accordance with the Listing Rules;

- to review and monitor whether the Company is operated and managed for the interests of all Shareholders;
- to discuss and respond to the impacts of the Company's operations on the economy, environment, society and various stakeholders, especially the major ESG issues most concerned by the management of the Company and various stakeholders;
- to review and inspect the ESG-related risks and opportunities which have a potential material impact on the Company, and report to the Board and make recommendations on annual ESG strategic objectives;

As the Company was listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date, no meeting of the Corporate Governance Committee was convened during the Reporting Period. On 27 March 2023, the Company convened a Corporate Governance meeting to review the corporate governance and draft of the Environmental, Social and Governance (ESG) Report.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Board is responsible for the risk management and internal control systems and has a duty to review the effectiveness of these systems. These systems are designed to manage rather than eliminate, the risk of failure to achieve business objectives and provide only reasonable but not absolute assurance against material misstatement or loss. The Board has overall responsibility for assessing and determining the nature and extent of the risks it is willing to assume in achieving the Company's strategic objectives and in establishing and maintaining an appropriate and effective system of risk management and internal control. The Audit Committee is responsible for assisting the Board, guiding the management and overseeing the design, implementation and control of the risk management and internal control systems. The Company has established an internal audit function to provide internal control over certain significant areas of the Group.

► Corporate governance report

The Company is exposed to various risks during its operation. Key operational risks faced by the Company include, among others, changes in the regulatory environment in China, the ability to offer quality products, safe production, and competition from other market players. In addition, the Company faces numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of the business.

In order to address these risks, the Company has established, and currently maintains, risk management and internal control systems consisting of policies and procedures that the Company considers appropriate for its business operations. There is a division of labour and co-ordination between the Board, the Audit Committee, the management and various functional departments of the Company. The Company is dedicated to continually improving these systems.

From an operational standpoint, the Company continually identifies and evaluates risks relating to its operations, such as the risk to its plants, general operational layout, transportation, buildings, production technology, logistics, main equipment, operating environment, quality management, safety management, and all personnel who enter into its plants, and to formulate its risk control measures accordingly. The Company also have various methods to identify its major potential hazards, including, but not limited to, events that may occur during the course of its routine activities, such as potential hazardous events during normal business operations, production and service activities; unforeseeable accidents, such as power outages, water outages, shutdowns, maintenance; activities relating to personnel entering the workplace; and infrastructures at the workplace, such as buildings, production equipment, raw materials and other leased infrastructure.

The Company's analysis methods include work safety analysis, field experience analysis, a safety checklist and exposure likelihood and consequences analysis. The Company's personnel are responsible for identifying as many actual and potential risk factors as possible through on-site observation and collected data, including, but not limited to, unsafe behaviors, unsafe state of the object, management defects and the impacts from the environment.

The Company's administrative department is responsible for evaluating the risks to determine the severity and likelihood, and preparing the lists of major risk factors, which is reviewed by the technology department and approved by the representatives of managers. The Company conducts identification and evaluation of risk factors and reviews the effectiveness of identification, risk evaluation and control measures once a year to improve the relevant risk management system. The Company's departments also consider whether to include establishing occupational health and safety goals and indicators into the KPIs for the Company's management from time to time depending on the situation, such as the need to implement or replace certain major risks.

The Company generally updates the risk evaluation and corresponding control measures according to the development of production, operations and management. The Company timely updates those measures in terms of changes such as occupational health and safety policy, laws, regulations, standards and related requirements, requirements for internal audit, external audit, and management review, and raw and auxiliary materials.

The Company is exposed to a variety of financial risks, including foreign exchange risk, credit risk and liquidity risk. The Group's principal financial instruments comprise cash and cash equivalents and financial assets at FVTPL. The main risks arising from the Group's financial instruments are credit risk, foreign currency risk and liquidity risk. The Directors reviewed and agreed policies for managing each of these risks and for summary of such risks, please refer to the section headed "Directors' Report – Financial Risks".

► Corporate governance report

Internal Control

The Company has designated responsible personnel in the Group to monitor the ongoing compliance by the Company with the relevant PRC laws and regulations that govern its business operations and oversee the implementation of any necessary measures. In addition, the Company plans to provide its Directors, senior management and relevant employees with continuous training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance. The Company offers onboard training to its new employees and continuing training to its existing employees to enhance their knowledge and awareness of the relevant policies and regulations. The Company also generally discusses with external advisory firm and legal counsel on a monthly basis in relation to (i) the latest regulatory requirements in China, (ii) any ad hoc queries from the Company, and (iii) review of advertising content before publication. For instance, the Company had a training session by such advisory firm in relation to the E-Commerce Law and the Measures for the Supervision and Administration of Online Trading in September 2022 and its key personnel from various functions attended to gain better awareness of the concept of e-commerce platform, appropriate conduct in operating and promotion activities, and responsibilities of operators of e-commerce platforms.

Anti-Corruption and Bribery

The Company has adopted a set of internal rules and policies governing the conduct of its employees. The Company has placed anti-bribery and anti-corruption clauses in its employees' handbooks to ensure that its employees comply with its internal rules and policies as well as the applicable laws and regulations. In particular, the clauses stipulate that the employees of the Company are prohibited from offering any bribery in the form of cash or other interests to medical professionals in exchange for their recommendations, purchase or prescription of the products of the Company. The Company also includes anti-bribery and anti-corruption clauses in its business contracts, confidential and non-competition agreements with its Directors and senior management, key technology personnel, and other key personnel. Furthermore, the Company includes anti-bribery requirements in its sales management policies, which explicitly prohibit the sales personnel of the Company from offering or accepting bribery (including any form of kickbacks and rebates that may constitute bribery) to or from any customers, and prohibit the distributors of the Company from offering bribery to medical institutions, doctors and their other customers.

False Advertising and Efficacy-related Misrepresentations

The Company has also adopted measures to mitigate the risks relating to false advertising and efficacy-related misrepresentations. The Company has established an internal system relating to the compliance of its advertising activities. Before the publication of the advertising and marketing content of the Company, such content must be reviewed by the dedicated officers of the marketing and legal functions of the Company, so as to ensure that such content (in particular, any efficacy-related information) is truthful, accurate and compliant with the applicable laws and regulations. Certain product descriptions on efficacy are independently verified by external third-party testing service providers as required by the applicable regulations, so as to prevent any product misrepresentation including any potential efficacy claims. In addition, the branding director and legal director of the Company regularly monitor and from time to time spot-check the marketing and advertising activities of the Company every week in order to prevent false advertising. Once a non-compliance issue is identified, the relevant advertising and marketing content would be removed from the relevant channels.

► Corporate governance report

Moreover, in light of the extensive marketing activities of the Company, the Company consults with external advisory firm and legal counsel, from time to time, to evaluate appropriateness of advertising content, promulgated or proposed regulations, and general regulatory development updates. Such topics included the Guidance Opinion on the Strengthening Supervision and Administration of Classification of Production and Operation of Medical Devices (《關於加強醫療器械生產經營分級監管工作的指導意見》) issued by the Department of Comprehensive Affairs of the NMPA, the Provisions on the Management of Internet Pop-up Window Information Pushing Services (《互聯網彈窗信息推送服務管理規定》) jointly issued by the CAC and other two PRC regulatory authorities, and the Principles for Technical Guidance on Freckle-removing and Whitening Special Cosmetics (Draft for Comments) (《祛斑美白類特殊化妝品技術指導原則(徵求意見稿)》) issued by relevant authorities. The Company regularly organizes online and offline trainings for its employees in the relevant PRC laws regarding advertising, e-commerce, and unfair competition.

Ongoing Review

The Company has established an audit committee to review and supervise the financial reporting process and internal control system, and a corporate governance committee to ensure the adequacy and effectiveness of the regulatory compliance process and internal control system. Both the Audit Committee and the Corporate Governance Committee report the results of their audits to the Board.

The Board conducted a review of the Company's risk management and internal controls for the period from the Listing Date to the end of the Reporting Period, which covered all significant aspects of controls, including financial control, operational control and compliance control. The Board concluded that the Company's risk management and internal control systems were effective and adequate during the relevant period.

SECURITIES DEALING AND HANDLING OF INSIDER INFORMATION

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. As the shares of the Company were listed on the Stock Exchange on 4 November 2022, the Model Code became applicable to the Company from the Listing Date. In response to specific enquiries made by the Board, all Directors confirmed that they have complied with the provisions of the Model Code during the period from the Listing Date to the date of this annual report.

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.

JOINT COMPANY SECRETARIES

The joint company secretaries are responsible for advising the Board on corporate governance matters and ensuring compliance with the Board's policies and procedures and applicable laws, rules and regulations. The current joint company secretaries are Ms. Yan Yubo and Ms. Yiu Suk Han. Ms. Yiu Suk Han is a manager of Corporate Services of Tricor Services Limited and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Yan Yubo is the principal contact person of the Company and will communicate with Ms. Yiu Suk Han on corporate governance and secretarial and administrative matters of the Company.

► Corporate governance report

For the biographical details of Ms. Yan Yubo, please refer to the “Directors and Senior Management - Biographical Details of Senior Management” section of this annual report. The biographical details of Ms. Yiu Suk Han are set out below:

Ms. Yiu Suk Han was appointed as a joint company secretary of the Company on 21 April 2022. Ms. Yiu has extensive experience in the corporate secretarial field. She is a manager of Corporate Services of Tricor Services Limited. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Yiu is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Yiu holds a bachelor’s degree in Social Sciences from The University of Hong Kong and a postgraduate diploma in Corporate Administration from the City University of Hong Kong.

During the Reporting Period, each of the joint company secretaries attended a total of not less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relations and the functions and duties of a company secretary of a Hong Kong listed issuer as required under Rule 3.29 of the Listing Rules.

RELATIONSHIP WITH SHAREHOLDERS

Communication with Shareholders

The Board believes that effective communication with Shareholders is essential to enhance investor relations and investors’ understanding of the Group’s business performance and strategy. The Group also recognizes the importance of transparency and timely disclosure of its corporate information to enable the Shareholders and investors to make the best investment decisions.

The Company communicates with its Shareholders and the investment community primarily through the Company’s financial reports (including interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Hong Kong Stock Exchange and its corporate communications and other corporate publications on the Company’s website.

General Meetings

The general meetings of the Company serve as opportunities for the Directors and senior management to communicate with Shareholders. Shareholders are encouraged to attend or, if unable to attend, to appoint a proxy to attend and vote on their behalf at meetings. Notice in writing is given by the Company to Shareholders at least 21 clear days prior to the annual general meeting and at least 14 clear days prior to any extraordinary general meetings.

Board members, in particular the chairmen of Board Committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer questions from Shareholders.

The proceedings of the Company’s general meetings will be regularly monitored and reviewed, and, if necessary, changes will be made to ensure that the needs of Shareholders are best served.

Corporate Communications

Corporate communications will be made available to Shareholders in plain languages and in both English and Chinese versions to facilitate their understanding about the content of the communications. Shareholders have the right to choose the language (either English or Chinese) or means of receipt (in hard copy or through electronic means) of the corporate communications. Shareholders are encouraged to provide their email addresses to the Company in particular to facilitate timely and effective communication.

Company's Website

The Company maintains a website at www.xajuzi.com, as a platform for communication with Shareholders and investors. The information on the website of the Company is updated regularly. Information published on the website of the Stock Exchange by the Company is also posted on the website of the Company for corporate communications immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and related explanatory documents, etc.

Shareholders' Enquiries

Shareholders and investors may send written enquiries or requests to the Company, for the attention of the Board. The contact details are as follows:

Address: No. 1855, Shanglin Yuan 7th Road,
Chang'an District, Xi'an, Shaanxi Province, PRC
Email: ir@xajuzi.com

Shareholders may raise questions about their shareholdings with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited. The Company ensures that the Hong Kong Share Registrar maintains up-to-date information relating to the Shares at all times in order to respond effectively to Shareholders' enquiries.

Policies Relating to Shareholders

Shareholders' Communication Policy

The Company has established a shareholders' communication policy which aims to ensure that Shareholders and the investment community at large are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to enhance communication among Shareholders, the investment community and the Company.

The Board regularly reviews the Shareholders' Communication Policy to ensure its effectiveness, in particular in relation to the requirements of Part II of the Corporate Governance Code in Appendix 14 of the Listing Rules. The Board Committee has reviewed the implementation and effectiveness of the Shareholders' Communication Policy during its meetings and is of the view that the Shareholders' Communication Policy has been effectively implemented and that the dissemination of information to the Shareholders are effective.

Dividend Policy

In accordance with code provision F.1.1 of the Corporate Governance Code, the Company has adopted a policy in respect of the declaration, payment or distribution of the net profit of the Company as dividends to Shareholders ("Dividend Policy").

The Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depend on the availability of dividends received from the subsidiaries of the Company. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from the subsidiaries of the Company may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that the Company or its subsidiaries may enter into in the future.

► Corporate governance report

Shareholders' Rights

To safeguard the interests and rights of Shareholders, separate resolutions are proposed at general meetings on each major issue, including the election of individual Directors, for consideration and voting by Shareholders. All resolutions proposed at the general meetings will be voted on by poll in accordance with the Listing Rules and the poll results will be announced on the Company's website (www.xajuzi.com/) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) after each general meeting.

According to the Articles of Association, the Directors may call general meetings, and they shall, on a Members' requisition, forthwith proceed to convene an extraordinary general meeting of the Company. A Members' requisition is a requisition of one or more Members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued Shares which as at that date carry the right to vote at general meetings of the Company. The Members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the Registered Office. Shareholders may propose a resolution at the general meeting by sending a written motion notice to the Company's principal office and principal place of business, at 5/F Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, for the attention of the joint company secretaries of the Company. Requisitions may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the Members' requisition or if the Directors do not within 21 days from the date of the deposit of the Members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21-day period.

EFFECTIVE COMMUNICATION WITH INVESTORS

The Group's investor relations efforts were effectively conducted under the leadership and support of the Board and the management. From the Listing Date and up to the date of this annual report, the Group has participated in a number of investor/analysts exchange sessions, investment summits and investor events to facilitate communication between the Company and its Shareholders and investors. The Company will continue to maintain effective communication with investors through the roadshows after interim results, annual results and general meetings in the future.

CONSTITUTIONAL DOCUMENTS

The amended and restated Memorandum and Articles of Association of the Company have been effective since the Listing Date and are available on the websites of the Company and the Stock Exchange. There have been no changes to the Company's constitutional documents from the Listing Date to the date of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the first annual environmental, social and governance (“ESG”) report published by Giant Biogene Holding Co., Ltd (“Giant Biogene” or “the Company”) and its subsidiaries (“the Group or “us”) for all stakeholders of the Company, focusing on the disclosures of management, practices and performance of the Company in the areas of economic, environmental, social and governance.

Basis of Preparation

This report has been prepared with reference to Appendix 27 of the Environmental, Social and Governance Reporting Guide of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the content of which has complied with the disclosure obligations and reporting principles under the Guide. This report has been prepared in accordance with the steps of identifying and ranking significant stakeholders and important ESG-related issues, determining the boundaries of the ESG report, collecting relevant materials and data, preparing the report based on such data and reviewing the data in the report to ensure the completeness, materiality, truthfulness and balance of the content of the report.

Scope and Boundaries of the Report

The policies and data provided in this report cover the Company’s head office and subsidiaries. The scope of the report is consistent with the annual report unless otherwise stated. Reporting time frame: 1 January to 31 December 2022.

Sources of Information and Assurance of Reliability

The information and data disclosed in this report are derived from the Company’s statistical reports and official documents, and have been audited by the relevant authorities. The Company undertakes that this report does not contain any false statements or misleading representations, and is responsible for the truthfulness, accuracy and completeness of the contents.

Confirmation and Approval

This report was passed by the Board of Directors on 27 March 2023 upon confirmation by the management.

Obtaining the Report

An electronic version of this report is available on Corporate Governance under “Investor Relations” on the Group’s official website (<https://ir.xajuzi.com/>). If you have any enquiries or suggestions regarding the contents of this report, please feel free to contact us through the following channels:

Tel: 029-81156502-7002

Email: ir@xajuzi.com

1 RESPONSIBLE GOVERNANCE

Giant Biogene is committed to contributing to a fairer and more open business environment by maintaining integrity and compliance, adhering strictly to business ethics in its business activities at all times, continuously upgrading its management mechanisms and reducing operational risks. At the same time, we will strengthen our communication with our stakeholders to join hands with them and to pursue mutual development.

Board Statement

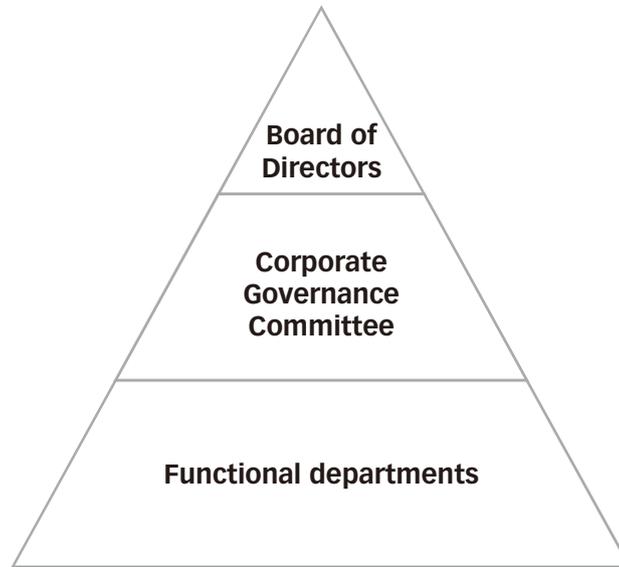
Giant Biogene adheres to a sustainable development strategy, and the Board of Directors, as the highest leadership body for ESG, is fully responsible for overseeing ESG matters. At the same time, the Board of Directors formulates the Company's ESG management policy and strategy in strict accordance with the relevant requirements under Appendix 27 Environmental, Social and Governance Reporting Guide of the Listing Rules of the Stock Exchange, and incorporates the latest regulatory requirements into the day-to-day ESG management.

We actively participate in stakeholder's communication, participate in the identification of ESG issues, analyze and prioritize ESG importance, and guide the development of ESG management and carry out ESG information disclosure accordingly. In 2022, the Board of Directors assessed and determined the Company's environmental, climate and social risks and opportunities based on the development trends of the industry in which Giant Biogene operates and feedback from stakeholders.

In order to effectively conduct ESG work, the Board of the Company established a corporate governance committee (the "Corporate Governance Committee") which is responsible for reporting to the Board on ESG-related matters regularly. We also set up ESG work targets, covering ESG performance indicators such as three wastes emissions, greenhouse gas emissions, energy use, quality and safety, etc. The Board of the Company regularly reviewed the progress of achieving ESG targets and considered it as part of the key performance indicators and provided relevant action suggestions in respect of the indicators for improvement.

1.1 ESG Work Mechanism

In order to realize the vision of “to become a leader in the beauty and health industry in China”, the concept of sustainable development has deeply rooted in the strategy and daily operations of Giant Biogene. The Group has continuously improved its ESG work mechanism and formulated the “ESG Management and Disclosure System of Xi’an Giant Biogene Technology Co., Ltd.” internally, forming a three-tier governance structure from top to bottom, including the Board of Directors, the Corporate Governance Committee and ESG-related functional departments, with the aim of ensuring the effectiveness of the Group’s ESG management and providing long-term protection for the long-term development of Giant Biogene.



ESG Governance Structure of Giant Biogene

Board of Directors – Decision-making level

Monitoring ESG developments in the biotechnology industry and assessing the Group’s ESG risks and opportunities

Regularly reviewing the fulfilment of the Company’s ESG strategy and objectives

Making decisions and leading the Company’s ESG planning and reviewing the annual work report

Corporate Governance Committee – Management

Developing and reviewing the Company’s policies and practices on corporate governance and Environmental, Social and Governance (ESG) and making recommendations to the Board

Reviewing the disclosures in the ESG Report in accordance with the ESG Reporting Guide and the Listing Rules

Establishing daily communication channels with stakeholders, improving communication mechanisms, and implementing daily communication and record-keeping

Reviewing and inspecting the ESG-related risks and opportunities which have a potential material impact on the Company, and reporting to the Board and making recommendations on annual ESG strategic objectives

ESG-related functional departments – Executive level

Collecting ESG-related information

Participating in and implementing work plans for all levels of ESG in business operations

► Environmental, Social and Governance Report

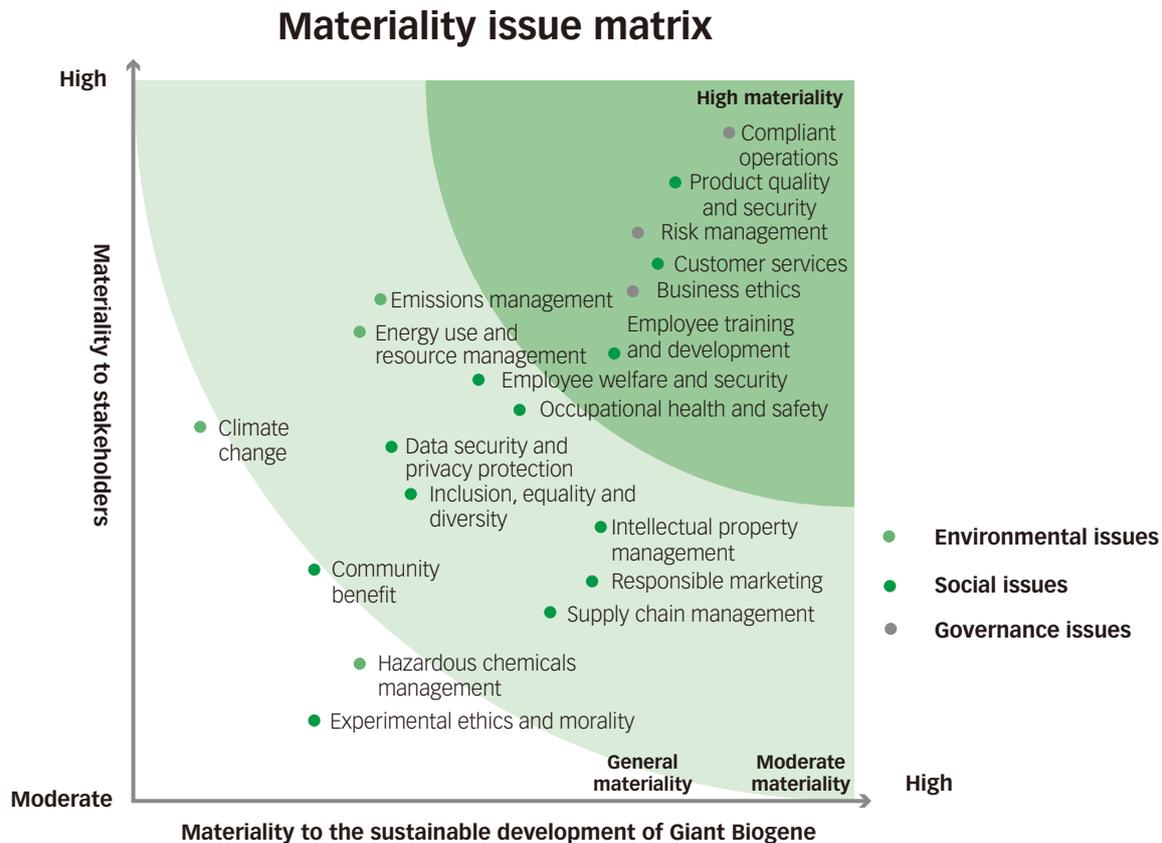
1.2 Communication with Stakeholders

The Group attaches great importance to the expectations of its stakeholders and is committed to maintaining regular communication with them, with the aim of keeping them informed of the Group's recent developments and collecting their suggestions. We have established a long-term and effective communication approach to respond to stakeholders' concerns and suggestions and incorporate them into the Group's ESG governance and decision-making process, with a view to maintaining a positive interaction with stakeholders and promoting mutual development and enhancement.

Stakeholders identified	Issues concerned	Communication and response methods
Government/ Regulatory bodies	Compliant operation Business ethics Emissions management Energy use and resource management Hazardous chemicals management Risk management	Policy directives Work reports Information submission On-site inspection Telephone communication
Shareholders and investors	Compliant operations Risk management Business ethics Climate change	General meetings of shareholders Performance briefing sessions Investor conferences Research roadshows Disclosure of information on the listed company Telephone and email communication
Customers	Product quality and security Data security and privacy protection Customer services Compliant operations Responsible marketing	Customer visits National customer service hotline Customer satisfaction survey
Employees of the Group	Inclusion, equality and diversity Employee welfare and security Occupational health and safety Employee training and development	Site visits Employee activities Employee satisfaction survey
Suppliers and partners	Supply chain management Product quality and safety Intellectual property management Business ethics	Tender meetings Research visits Exchange and cooperation Industry forums
Environment	Climate change Hazardous chemicals management Experimental ethics and morality Emissions management	Implementing environmental policy Environmental information disclosure
Members of the community	Community benefit Emissions management Energy use and resource management	Community investment Voluntary services Community events

1.3 ESG Materiality Issues

During the Reporting Period, Giant Biogene carried out the identification of materiality issues by listening to the views of various stakeholders, conducting in-depth interviews with various internal functional departments, conducting internal management discussions in the context of the Group's strategic development direction, and benchmarking with reference to the Stock Exchange's guidelines and the disclosure of issues by peers. In 2022, Giant Biogene identified a total of 19 material topics, including 6 topics of high materiality, 9 topics of moderate materiality, and 4 topics of general materiality.



1.4 Operational Compliance

Anti-Corruption

Giant Biogene understands that anti-corruption is the core to orderly business compliance and we strictly prohibit any form of bribery and corruption. Giant Biogene strictly abides by the Company Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Interim Provisions on the Prohibition of Commercial Bribery and other laws and regulations. We have established a code of conduct in accordance with the laws, such as the Anti-Corruption Reporting System, which sets out the responsibilities of each department of the Company in the fight against corruption and aims to firmly implement fair and equitable business practices.

During the Reporting Period, the Group did not have any corruption and bribery related cases.

► Environmental, Social and Governance Report



Anti-fraud management structure and responsibilities

Complaints and Whistleblowing

The Company has set up various reporting channels such as official complaint mailboxes, telephones and email addresses. The internal whistleblowing management leadership team is responsible for managing the email for reporting professional ethics issues and fraud cases, and timely filing of the reported materials of fraud cases after whistleblowing and investigation. During the Reporting Period, Giant Biogene did not receive any relevant whistleblowing reports and complaints.



Whistleblowing process of Giant Biogene

For non-anonymous reports, our Anti-Fraud Reporting System stipulates that the Company's internal whistleblowing management leadership team shall provide feedback to the whistleblower on the outcome of the investigation, whether or not an investigation is initiated. In addition, we prohibit and prevent any discrimination or retaliation against whistleblowers, and adopt protective measures for whistleblowers as they assist our investigations. At the same time, we will remove or terminate the employment contract of any person who discloses information about a whistleblower or retaliates against a whistleblower, which is in violation of the rules. If the above situation violates the law, we will refer it to the judicial authorities according to law.

We are committed to building a culture of integrity continuously, while strengthening our day-to-day supervision persistently, and conducted a series of training activities with an objective of constantly raising our employees' awareness of compliance. During the Reporting Period, we provided anti-corruption training to the Board of Directors and our employees through our orientation programme, and offered training to more than 1,000 staff, such that our anti-corruption training for the Board of Directors and our employees reached a coverage rate of 100%.

1.5 Risk Management and Control

Giant Biogene is committed to enhancing its ability to withstand risks and to improve the scientific standards in its decision-making when faced with risks, so that unpredictable market risks can be handled more effectively. To this end, we have established internal systems such as the Enterprise Risk Management System, Management of the Use of Seals, Capital Management System, Internal Control System and Compliance Management System. In addition, we have improved and optimized our internal control system in accordance with the requirements under the rules of the Stock Exchange and based on the internal control report issued by a third-party team.

In order to deal with the relevant risks, we have developed mechanisms to establish three lines of defence to deal with risks: the various departments of the Company as the first line of defence for risk management, the Internal Audit Department and the Audit Committee under the Board of Directors as the second line of defence for risk management, and the Board of Directors and the general meeting of Shareholders as the third line of defence for risk management.

Each department of Giant Biogene has assigned a person responsible for assessing to determine the severity and likelihood of business-related risks, analyzing the risks we may encounter through work safety analysis, site experience analysis, safety checklists, exposure likelihood and consequence analysis, and compiling a list of major risk factors; the list shall be submitted to the person in charge of internal audit for review, and shall be approved by the general manager.

2 QUALITY PRODUCTS

With the mission of “Biotechnology to empower beauty and health”, Giant Biogene has always been committed to bringing quality products to every consumer through its relentless pursuit of product innovation and its commitment to bringing technology from the laboratory to life. With our proprietary synthetic biology technology platform as the cornerstone of product development, we focus on the three industries of efficacious skincare products, medical devices, functional foods and foods for special medical purposes, and have established a quality management system covering the entire life cycle of product development, production and sales, with a customer-centric and market-oriented approach and continuous implementation of corporate responsibility.

2.1 Product Responsibility

Giant Biogene attaches great importance to product quality and safety. We uphold the notion of customer focus in determining our guiding ideology and basic guidelines of quality management, and adhere to the quality policy of “quality is life, reputation is fundamental, and product quality reaches international first-class level”. By formulating a standardized product quality management system, building a top-down product quality management structure, implementing product management initiatives throughout the production process, and creating a cultural atmosphere where all employees attach importance to quality construction, Giant Biogene promotes its product liability protection work and safeguards the vital interests of every consumer.

2.1.1 Quality management system

We consider achieving high product qualification rate and high customer satisfaction as our quality targets. We have always strictly abided by the Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》), the Supervision and Administration of Cosmetics Production and Operation (《化妝品生產經營監督管理辦法》), the Code of Practice for the Quality Management of Cosmetics Production (《化妝品生產質量管理規範》), the Food Safety Law of the People’s Republic of China (《中華人民共和國食品安全法》), the Regulations on the Implementation of the Food Safety Law (《食品安全法實施條例》), the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), the Supervision and Administration of Medical Device Production (《醫療器械生產監督管理辦法》), and other relevant laws and regulations to regulate production and operation activities, strengthen supervision and management, and ensure product quality and safety.

The Company’s quality management is under the responsibility of the general manager, with each department dividing up the work, sharing the responsibilities on achieving the overall quality objectives of the Company in conjunction with their own responsibilities, conducting regular assessments and evaluations, and including the achievement progress of quality targets in the performance evaluation of those in charge.

We hold regular quality meetings to summarise the quality control situation, analyse the causes of abnormal situations and formulate corrective measures to achieve all-round control covering aspects including product design and development, raw and auxiliary material management, product production and sales to ensure continuous improvement of product quality and achieve quality targets.

We actively fulfill our responsibilities as the parent of manufacturing enterprises to ensure that the whole life cycle of the product quality and safety are under control. We have complied with the ISO 22716 guidelines for cosmetics – Good Manufacturing Quality Management Practice, the US FDA CFSA Good Manufacturing Quality Management Practice for Cosmetics, YY/T0287-2017/ISO 13485:2016 “Medical Device Quality Management System for Regulatory Requirements” and other quality specification requirements, and have passed the ISO 22000:2018 “Food Safety Management System Requirements for all Types of Organizations in the Food Chain” standard, and have obtained the food safety system certification FSSC 22000, HACCP Hazard Analysis and Critical Control Points and other system certifications.



Certificates of quality management system certification for the products of Giant Biogene

To verify the effectiveness of the quality management system, we organize two internal audits and one management review every year, so as to ensure the implementation of the system and continuously improve the quality of our products.

Internal audits	Management reviews
<ul style="list-style-type: none"> Inspecting the implementation of quality management in all departments, production processes, hygiene, training, warehousing, sales and other aspects Developing optimization measures in response to the inspections Following up on improvement initiatives and the actual operational results of the improvements 	<ul style="list-style-type: none"> Taking stock of existing problems based on quality analysis, product qualification rates, internal audits and external inspections throughout the year Developing work plans and improvement targets for the coming year

During the Reporting Period, the cosmetic workshop of Giant Biogene conducted 2 internal audits of the quality management system and concluded 6 items for optimization. Each item had been assigned to the responsible department, with their progress being monitored. As of the end of the Reporting Period, all items to be optimized had been completed.

► Environmental, Social and Governance Report

2.1.2 Quality management actions

We fully identify the product quality management process, systematically manage key control points throughout the production process, optimize product quality testing standards and means, realize the whole chain of product quality supervision from raw material procurement, process inspection, factory control to product traceability, implement multiple parallel supervision for each potential quality risk, and strengthen comprehensive product quality control with high standards and strict requirements.

- *At the raw material phase*

Giant Biogene has established strict procurement control procedures to control the quality of raw and auxiliary materials and packaging materials. With the management awareness of “production management at source”, we strictly control the quality of raw and auxiliary materials and packaging materials. For raw and auxiliary materials and packaging materials that are unqualified due to different reasons, we have formulated a targeted handling process, with the Technical Department setting internal quality standards for raw materials, the Quality Management Department testing the materials and organizing reviews, and the Physical Control Department and Purchasing Department cooperating to dispose of unqualified products to prevent unqualified products from entering the production process.

In 2022, Giant Biogene conducted a total of 1,425 batches of incoming raw material inspection, with a pass rate of 99.54%; and a total of 1,460 batches of incoming packaging material inspection, with a pass rate of 98.37%.

- *Production process inspectors*

During the production process, we have developed strict management systems in production management, equipment management, quality management and warehouse management, conducted regular equipment verification for key production equipment, controlled the quality of intermediate products and finished products for existing products, and implemented quality management throughout the product life cycle.

Production management	Equipment management	Quality management	Treasury management
<ul style="list-style-type: none"> • Product process protocols established by the technical department • Strict control of process parameters by the workshop • Strict monitoring of process indicators by QA 	<ul style="list-style-type: none"> • Regular maintenance of instruments and equipment by the safety and environmental protection department • Regular calibration of measuring equipment by the quality control department • Production environmental monitoring by a qualified body commissioned by us on a regular basis 	<ul style="list-style-type: none"> • Inspection by QC according to the internal quality standards of the products • An archive room is established to keep records of raw and auxiliary materials, packaging materials and finished products • The sample retention management protocols and stability observation management protocols are established 	<ul style="list-style-type: none"> • Finished products, raw and auxiliary materials, packaging materials, etc. are stored separately • Dust, ventilation and pest control in the warehouse are implemented • Stock cards for materials are in place to record basic information

We strive to ensure the safety of the production environment, from the workshop production environment to the workshop operators. We have established strict management procedures to avoid product quality risks caused by environmental or human factors.

Workshop production environment

- Regular inspection of the operation of the air purification system by the safety and environmental protection department and the production department, and regular monitoring of suspended particles, airborne microbe and sedimentated bacteria in the workshop by the Quality Management Department
- Environmental monitoring by a legally qualified inspection agency commissioned by us annually to safeguard the production environment of our products
- Establishing clearing procedures, requiring that production tools, equipment and workstations must be cleared after each batch of production in accordance with the regulations

Workshop operators

- Establishing personal hygiene management procedures and protocols for managing personnel access to production areas, operators must follow strict regulations to ensure a hygienic production environment
- Differentiating areas with different cleanliness levels by different overalls, and establishing clean clothing management procedures for clean areas to regulate the cleaning and disinfection of clean clothing for distribution
- Establishing weighing management procedures, requiring double-checking of weighing and feeding, and checking in detail of name, batch number, quantity, etc. against production orders
- *Control of ex-factory products*

We have full control over the quality of our ex-factory products and are committed to taking responsibility for each and every product. From the formulation of standards to the control process of quality inspection and standardization, multiple departments within Giant Biogene work together to control the process at every level.

- Technical department: Formulating internal control standards on product quality in accordance with the requirements for product registration
- Quality department: Inspecting the products according to the internal control quality standards, with professional personnel to inspect intermediates, semi-finished products and finished products. If any unqualified products are found, the unqualified products will be dealt with immediately to ensure that unqualified products are not released

To further regulate product quality testing, we have set up different laboratories, including physical and chemical laboratory, instrument laboratory, microbiological limit laboratory and positive bacteria laboratory, to test our products. At the same time, we have established sample retention management protocols, stipulating that products should be observed and retained in accordance with legal and regulatory requirements, and records should be completed.

► Environmental, Social and Governance Report

Production Key Quality Objectives and Performance of Giant Biogene

Production quality key indicators	Objective	2022 Performance
Pass rate of first inspection of products	≥98.5%	100%
Customer satisfaction rate	≥95%	97.33%
Pass rate of market sampling	/	100%
Completion rate of quality complaint handling	/	100%

- *Product recalls and safety emergency management*

In order to enhance the emergency response capability for product quality and safety emergencies and to improve the comprehensive management of product quality and safety, the Company has developed a relatively well-established product recall system and is constantly optimizing its product recall system to ensure a rapid response in the event of product quality defects or possible hazards to human health.

We provide for a recall procedure to be initiated when the following situations arise:

Public complaints and reports on product quality and safety hazards

Risk of quality and safety hazards in delivered products is identified through internal inspections and self-inspections of the Company

Quality and safety hazards of our products are identified in the process of supervision and sampling by our supervision and management departments

Other changes (including technical, regulatory, compliance and unforeseen events) that affect the quality or safety of the delivered products

For products that need to be recalled, we have established the following product recall process and conducted regular recall drills to ensure the effectiveness of our product recall system. During the Reporting Period, there were no recalls of sold or delivered products due to safety and health concerns.



Product recall procedures

We have set up a Safety Incident Response Team as the executive body for product quality and safety incident handling, and maintained safety incident management files to keep a comprehensive record of the safety incident handling process. When there is information indicating an emergency situation of a sudden product safety accident, the General Manager will immediately convene a meeting of the Emergency Response Team and organize an investigation into the authenticity and seriousness of the emergency. For emergencies that may endanger the health and safety of consumers, we will immediately report to the relevant local administrative departments and will not conceal, misrepresent or delay the report.

2.1.3 Building a quality culture

Giant Biogene always believes that a robust corporate quality culture is an important guarantee for product safety and quality. We have formulated an annual training plan for our quality management system, carried out training and promotion around the Company's quality policy and objectives, and followed up on the training of each department in a timely manner to ensure that the training is carried out smoothly and any deviations from the quality policy are rectified promptly.

In order to enhance our employees' awareness and knowledge level of product quality, we have carried out a series of training on quality and safety and production safety for new employees from the beginning of their employment, and organized various trainings on standards, regulations, management procedures, skills, knowledge and professionalism in accordance with our training plan every year, and testified the effectiveness of our training by means of examinations and on-site questions.

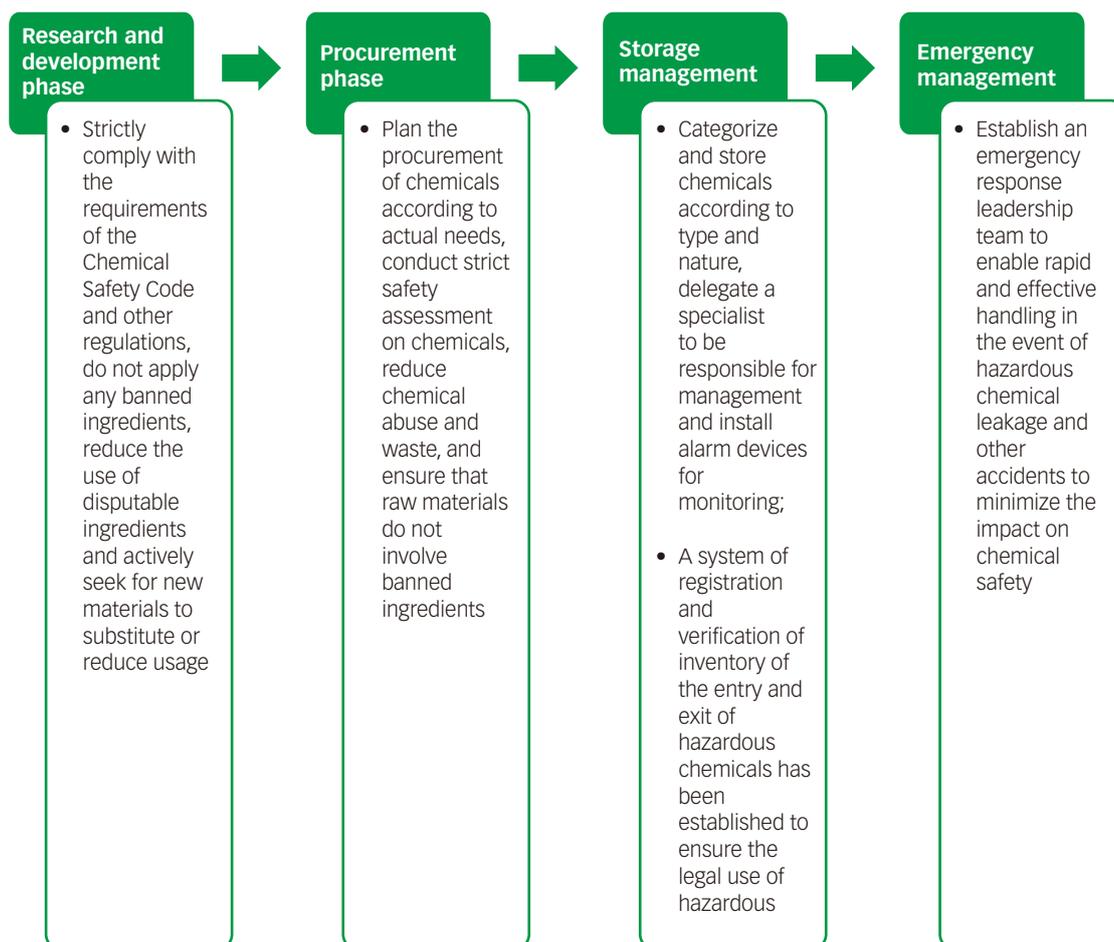
During the Reporting Period, we completed a total of 49 induction safety training sessions for new employees, covering 100% new employees, with a 100% pass rate for induction training; while a total of 168 internal departmental training sessions were conducted to create a sound atmosphere where all employees pay attention to quality, and hence, to promote the healthy development of our quality culture.

► Environmental, Social and Governance Report

2.1.4 Safety of chemicals

Giant Biogene attaches great importance to chemical safety and implements strict management throughout the process of product development, raw material procurement, chemical regulation, and chemical storage and transportation in accordance with the “Law of the People’s Republic of China on Work Safety (《中華人民共和國安全生產法》)”, “Regulation on the Administration of Precursor Chemicals (《易制毒化學品管理條例》)”, “Regulations on the Safe Management of Hazardous Chemicals (《危險化學品安全管理條例》)”, “Measures for Public Security Administration of Explosive Precursor Hazardous Chemicals (《易制爆危險化學品治安管理办法》)” and other domestic chemical safety regulations, “Chemicals Convention Concerning Safety in the Use of Chemicals at Work (《作業場所安全使用化學品公約》)” and other relevant international conventions, and GB 13690 “General Rules for Classification and Hazard Communication of Chemicals (《化學品分類和危險性公示通則》)” and other chemical safety management standards.

We explicitly prohibit the use of any banned ingredients and strengthen chemical review and regulation during product development to reduce chemical hazards and safeguard chemical safety by eliminating dangerous and controversial chemicals and developing alternative products.



Initiatives taken by Giant Biogene to safeguard chemical safety

2.2 Innovative R&D

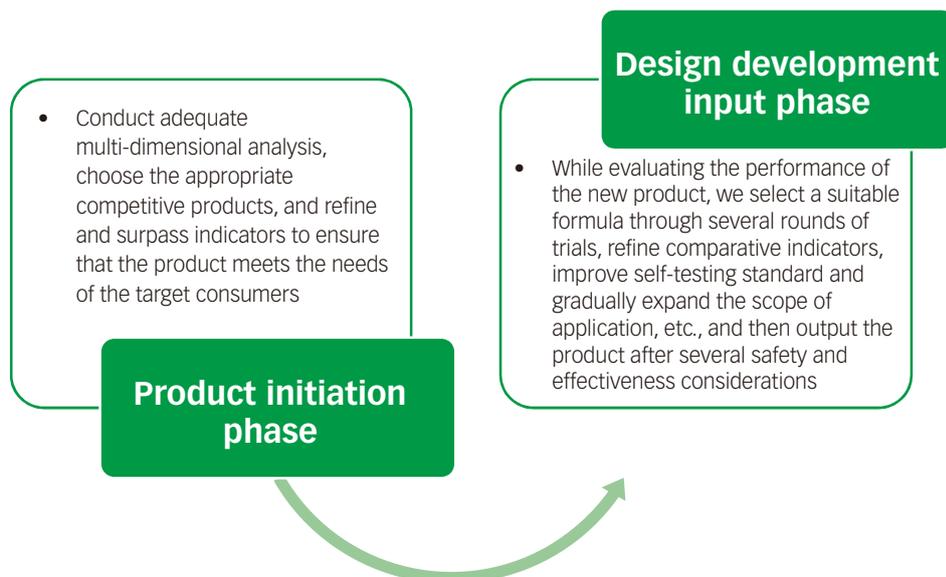
The innovative research and development (R&D) of Giant Biogene is closely focused on the Company's mission, with synthetic biology technology as the cornerstone, and deeply explores the research and development of bioactive ingredients production technology, while constantly expanding the boundaries of innovation to develop functional foods, health food, medical devices and other products, dedicated to gain market recognition and consumer trust through quality products.

2.2.1 R&D System

The Company has always been committed to investing in R&D, continuously promoting product development and technological innovation, and building an improved product development system. Riding on our scientific research team with extensive experience in R&D, Giant Biogene continues to carry out industry – academia-research cooperation to enhance R&D capabilities, coupled with profound industry insight and market research results, it develops new products and upgrades and iterates existing products.

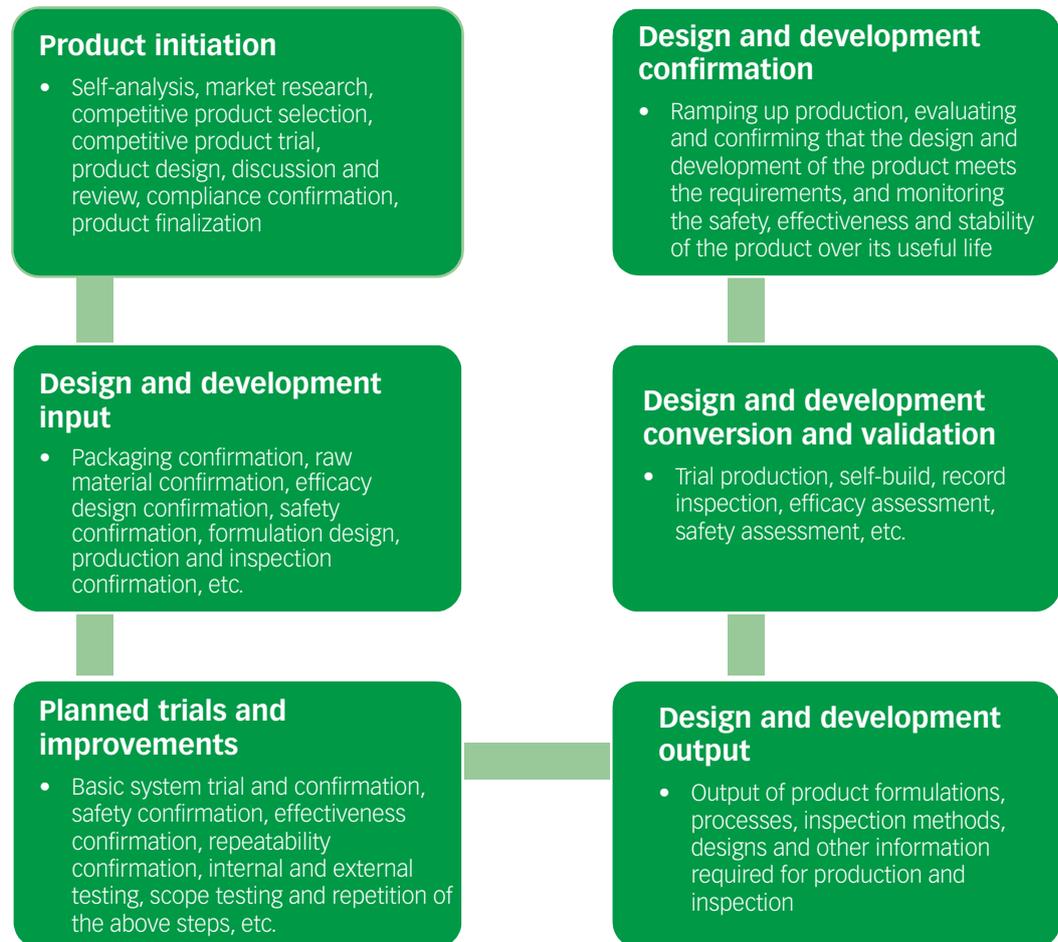
- *Product R&D*

Giant Biogene places great importance on product development and adheres to the consumer-centered philosophy by using “bionic” materials in cosmetics research and development and establishing a design and development concept of bionic formulation technology. We conduct extensive research and analysis from the very beginning of the product initiation process to provide safe, healthy and high-quality products while meeting the needs of our customers. We integrate the needs of consumers in the product development process and ensure the accuracy of design and development through sufficient consumer simulation trials.



► Environmental, Social and Governance Report

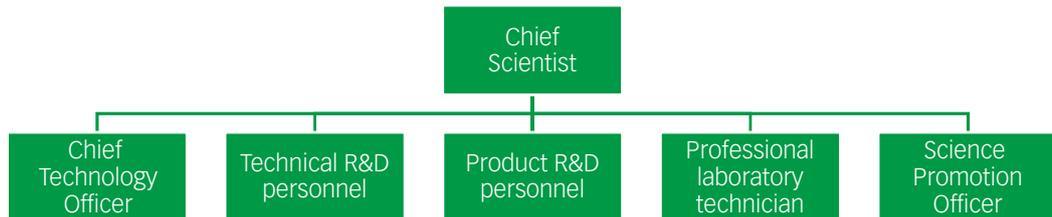
Each of our products has gone through a rigorous product development process, for example, in the case of Comfy Recombinant Collagen Repair Essence Emulsion (重組膠原蛋白肌禦賦活修護精粹乳), every step of the process is strictly controlled from product initiation, trial improvement to design and development conversion, to ensure our product development meets the requirements.



► Environmental, Social and Governance Report

• *Building up an R&D team*

We have a dedicated and experienced R&D team with professional backgrounds covering different disciplines such as biochemistry, molecular biology, biotechnology, bioscience, bioengineering, fermentation engineering, applied chemistry, etc. Our core R&D team members have more than 10 years of R&D experience in fermentation technology, biomedical materials and natural active products.



R&D Team of Giant Biogene

The Company's technical R&D team focuses on developing new technologies for professional skin care products, functional foods and foods for special medical purposes, and is responsible for upgrading and improving our synthetic biology technologies for the design, development and manufacture of recombinant collagen and other bioactive ingredients at scale. As of the end of the Reporting Period, the Company had a total of 132 R&D personnel, including 55 employees with a master's degree or above, accounting for 41.7% of the total employees, and the team is continuously expanding.

• *Nurturing of R&D talents*

We attach great importance to the ability enhancement of our R&D personnel and conduct regular professional knowledge training, covering basic R&D skills, industry regulations and the layout of intellectual property protection, etc. We strengthen the professional skills of every employee from fermentation technology, innovative drug development, functional food development to medical device development.

New employee training	Internal business skills training	Training opportunities in the industry
<ul style="list-style-type: none"> We arrange a R&D engineer as the mentor for each new employee in the R&D department for comprehensive trainings 	<ul style="list-style-type: none"> Core R&D personnel shall attend at least one online or offline professional training session per year, depending on their R&D direction 	<ul style="list-style-type: none"> Organize R&D personnel to actively participate in API, PCHI, CDA and other industry-related exhibitions to keep abreast of industry developments and new technologies

In order to continuously improve the Company's R&D capability, we have carried out a number of collaborative R&D projects with medical institutions and academic institutions. The Company has established a close collaboration with Northwestern University to carry out systematic applied basic research with the objective of scientific transformation, which laid a robust foundation for technology transformation and product development.

► Environmental, Social and Governance Report

- *Environmental and social factors considered in the R&D process*

We take full account of environmental and social factors in our product development process and pay attention to the psychological needs of consumers. In all product development processes, Giant Biogene's team gives priority to processes with high safety, low energy consumption and short production cycles, while environmentally friendly ingredients are preferred and the use of any ingredients that may have a greater impact on the environment is explicitly prohibited, in order to fulfill corporate environmental responsibility.

2.2.2 Innovative results

In 2022, we focused on the design, development and manufacture of recombinant collagen, rare ginsenosides and other new bioactive ingredients using synthetic biology methods, with R&D expenditures of RMB44 million, and we achieved outstanding innovative results with our strong scientific research and innovation capability. During the Reporting Period, Giant Biogene has made significant progress in the optimization of the recombinant collagen fermentation process, reducing energy consumption per unit of raw material production and reducing waste liquid discharge by reducing the amount of organic solvents used in the process development of the isolation and purification of rare ginsenosides.

We actively lay out innovative R&D for our entire product line, deeply participate in strategic cooperation in innovative research and continuously seek breakthroughs in product innovation. Leveraging on the Company's industry-leading position in the field of R&D innovation, we deepened our product development, built a close cooperation network and promoted the conversion of innovation results.

R&D innovation achievements and projects that Giant Biogene made and participated in during the Reporting Period:

5 Class II medical device registration certificates were obtained

54 new cosmetic products were developed

The output of R&D data for 5 functional foods (improving sleep, lowering blood sugar, removing chloasma, antioxidant) were completed

Recombinant type III collagen fermentation process was optimized to improve production efficiency

The major pre-clinical research studies and testing of recombinant collagen filler for injection were completed

The project "Key Technologies and Applications of Green Biomanufacturing of Medical Proteins" under the "Green Biomanufacturing" project participated in by the Company was approved as a project under the National Key Research and Development Programmes

In addition to enhancing our own R&D capabilities and promoting product development and innovation, Giant Biogene actively participated in drafting national standards and industry standards to contribute to the empowerment of the industry's high-quality and healthy development. During the Reporting Period, we participated in the formulation of one national standard.

- On 1 August 2022, YY/T 1849-2022 Recombinant Collagen, Pharmaceutical Industry Standards of the People's Republic of China (中華人民共和國醫藥行業標準YY/T 1849-2022《重組膠原蛋白》), which was jointly drafted by several professional research institutions and enterprises, including National Institutes for Food and Drug Control, Sichuan Institute for Drug Control and Shaanxi Giant Biotechnology Co., Ltd., was officially published and implemented.
- This is the first national industry standard for recombinant collagen in the pharmaceutical field, promulgated and implemented by NMPA. The standard specifies the quality control requirements for recombinant collagen, the testing indicators and its testing methods, etc. It is applicable to the quality control of recombinant collagen as a raw material for medical devices.

2.2.3 Intellectual property rights

Giant Biogene strictly abides by the laws and regulations such as the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》), implements the National Standard for the Management of Intellectual Property Rights of Enterprises (《企業知識產權管理規範》), and has established a series of procedures and systems to achieve standardized management of intellectual property rights. We have established a scientific and standardized intellectual property management system and management model with the guidance of a third-party professional team to strengthen the entire process of intellectual property management.

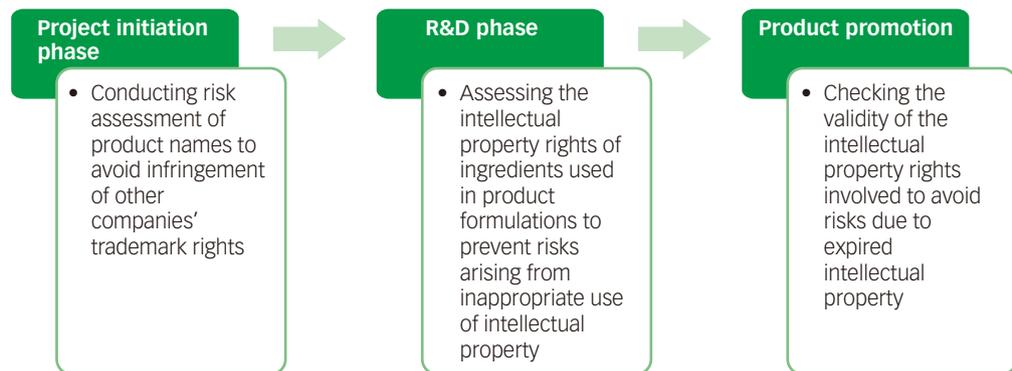
In 2022, in order to further regulate the management of intellectual property rights in enterprises and comprehensively improve the Company's ability to create, apply, protect and manage intellectual property rights, we comprehensively implemented the National Standard for the Management of Intellectual Property Rights in Enterprises to effectively improve the level of contribution of intellectual property rights to the business development of enterprises. On 15 July 2022, the Company obtained the certification of intellectual property management system, which complies with the GB/T29490-2013 standard, and the scope of certification includes the management of intellectual property rights involved in the development and sale of skin care water, facial masks and creams and lotions within the scope of qualification permission.

In 2022, the Company applied for a total of 16 patents, including 14 invention patents and 2 design patents, in two key research directions, namely recombinant collagen and rare ginsenosides. 15 patents were granted, including 13 invention patents and 2 design patents. As of the end of the Reporting Period, the Company had obtained a total of 48 patents and a total of 584 trademarks.

► Environmental, Social and Governance Report

• *Intellectual property protection*

The Company adopts a product responsible person system, where a dedicated person is responsible for the product at the stages of project initiation, research and development, trial production, filing, launch and promotion, and has a strict review process. Within each stage, an intellectual property right risk assessment is carried out and measures are taken to avoid risks or reduce them to an acceptable level.



In 2022, we further regulated the scope of authorized licenses, conducted investigations for internal and external intellectual property authorization, and issued a power of attorney template by our legal staff to reduce the risk of infringement due to mismanagement and misuse of intellectual property.

• *In-house training on intellectual property right laws and regulations*

In 2022, the Company conducted five in-house professional intellectual property training sessions, including "International Patent Drafting Skills" (《國際專利撰寫技巧》), "Domestic and International Patent Application Process" (《國內及國際專利申請流程》), "Basic Knowledge of Intellectual Property" (《知識產權基礎知識》), "Sharing of Trademark Infringement Examples" (《商標侵權實例分享》) and "Trademark Knowledge Training" (《商標知識培訓》), with a total of 11 hours of training and covering more than 100 employees, to provide professional training and explanations on the internal intellectual property requirements of the enterprise and the standardization of use, and to strengthen the intellectual property management capability of all employees.

In order to form a virtuous cycle mechanism for protecting intellectual property rights in accordance with the law, we insist on implementing a project responsibility system which is result-oriented, making patent applications, especially the acquisition of authorized patents, an important indicator for basic salary adjustment and merit assessment at the end of the year, so as to motivate technical staff to apply for patents.

2.3 Supply Chain Management

Giant Biogene is committed to building a responsible supply chain, continuously optimizing the management mechanism and procurement process of the supplier management department, preventing supply chain risks, establishing a close and solid, equal and win-win partnership with suppliers, and working together with suppliers to create a positive, transparent, fair and equitable industry ecology.

2.3.1 Criteria for entry of supplier

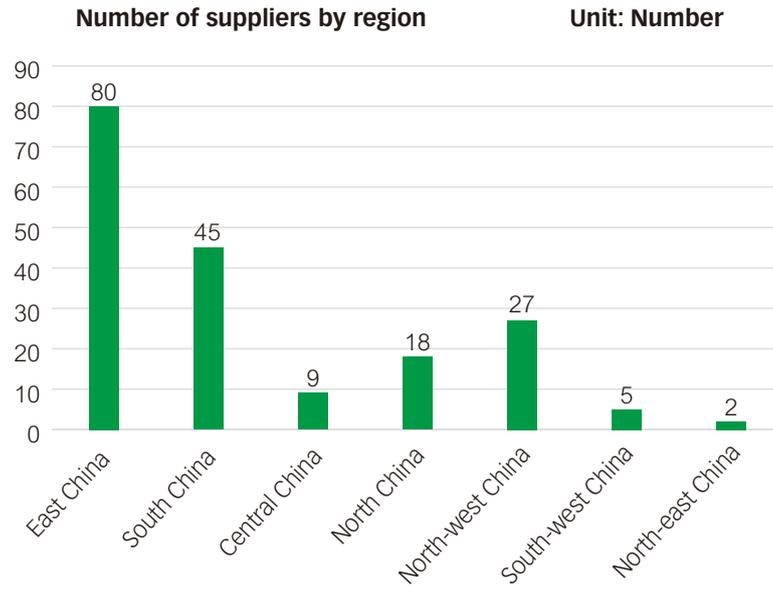
We strictly abide by the laws, regulations and administrative rules such as “the Cosmetic Production Quality Management Practices (《化妝品生產質量管理規範》)”, “the Measures for Administration of Cosmetic Labels (《化妝品標籤管理辦法》)”, “Evaluation Guide of Suppliers for Manufacturers of Cosmetic Raw Material” (《化妝品原料生產企業供應商審核指南》), “Evaluation Guide of Suppliers for Manufacturers of Medical Devices” (《醫療器械生產企業供應商審核指南》), “Application Guide for Medical Device Production Management System YYT0287-2017” (《醫療器械生產管理體系YYT0287-2017應用指南》) and “Food Safety Law” (《食品安全法》). We have established internal systems such as “Supplier Evaluation and Management Procedures” (《供應商評價管理規程》) and “Supplier File Management Procedures” (《供應商檔案管理規程》) to maintain a complete file for our suppliers to ensure that they can provide qualified materials in a stable manner.

We have established strict criteria for the entry of suppliers, requiring them to sign a quality undertaking, strictly controlling the purchase channels and safety of materials, and requiring suppliers to provide the following qualification certification documents.



► Environmental, Social and Governance Report

As of the end of the Reporting Period, the Company had a total of 186 suppliers, all suppliers are engaged for cooperation after passing the review of our supplier engagement standards, and the number of suppliers by region is shown in the chart below.



2.3.2 Supplier assessment

At present, Giant Biogene's operation has covered 18 provinces nationwide. We introduce suppliers based on the characteristic of "regional advantage enables product advantage", and reduce costs reasonably while ensuring delivery and quality, and collaborate with suppliers to improve technology in terms of technology and production line applicability.

We strictly control the quality of raw materials and inspect the physical and chemical properties and performance of raw materials provided by suppliers to ensure that the materials are tested and qualified before entering the scope of qualified selection samples. In 2022, we conducted several on-site audits of suppliers and cooperated with quality, R&D, sales and other business departments to conduct on-site assessments of suppliers' technical capabilities and plant storage, to clear the obstacles for Giant Biogene to obtain better quality materials.



On-site inspection on suppliers

We include our suppliers' environmental and social responsibility in our supplier assessment, giving priority to environmentally friendly and biodegradable materials without affecting the efficacy evaluation and package material consistency, and working with suppliers to create a green and sustainable supply chain.

2.3.3 Supplier cooperation

In order to build a sustainable supply chain, we have undertaken our corporate social responsibility by taking relevant initiatives to support local suppliers and actively participating in supplier exchange activities to move towards a win-win situation with our suppliers. We sign annual framework agreements with our suppliers every year, which provide a clear scope of rights and responsibilities for cooperation between both parties in terms of specific quality standards, acceptance criteria, settlement methods, quality disputes, confidentiality of intellectual property rights, default liability, handling of non-conformities, handling of production-related problems and integrity clauses.

- *Initiatives to support the local suppliers*

In response to the national call, we promoted rural revitalization, consolidated the results of poverty alleviation by actively carrying out local supplier assistance, empowering local suppliers with technology output, and supporting township enterprises and enterprises with strength but operating difficulties to tide over difficulties by purchasing basic packaging materials from them.

- *Supplier exchange activities*

We actively organized and participated in supplier exchange activities, by inviting suppliers to visit from time to time and participating in the promotion of new products and interaction to enhance mutual assistance and promote in-depth cooperation, in order to create an open, cooperative and win-win industry ecology.

2.3.4 Responsible supply chains

We strictly monitor our supply chain risks, resolutely resist any unfair competition and corruption in the procurement process, and develop emergency management systems and mitigation control systems to ensure supply chain stability.

- *Incorruptible supply chain management*

We have established a variety of communication channels with suppliers to reduce supply chain-related risks while collaborating and communicating. We clarified the responsibilities and obligations of both parties by signing integrity and anti-bribery undertakings with suppliers, and worked together to maintain a sound atmosphere in the industry by setting a commercial bribery whistleblowing mailbox. To strengthen staff awareness of incorruptible procurement, we organize staff seminars, weekly departmental meetings and pre-holiday promotion on emphasizing anti-corruption and incorruptible and self-disciplined behaviors, to rigorously prevent dishonest procurement practices.



Incorruptible procurement training of Giant Biogene

- *Supply chain quality management*

We collaborate with our suppliers to address issues related to product safety and quality assurance, strictly control the quality of our supply chain and reach an agreement with suppliers on the liability that should be borne in the event of unqualified products. To ensure supply chain quality control, we require suppliers to provide testing reports on raw materials and engage qualified third-party organizations for testing randomly selected samples.

Formulate supplier quality system inspection form	The technical standards signed by both parties
<ul style="list-style-type: none"> • Scoring the suppliers in terms of incoming material inspection pass rate, production pass rate, return rate and ability to solve quality-related issues 	<ul style="list-style-type: none"> • Controlling front-end quality and warning against unqualified products through corrective prevention and downgrading penalties

- *Sustainable supply chains*

We adhere to sustainable sourcing principles in the procurement of raw materials, undertake corporate responsibility and strive to reduce our impact on the environment and actively create a healthy and sustainable supply chain. We prioritize the sourcing of environmentally friendly raw materials, such as sourcing sustainable certified raw palm oil from Malaysia and importing raw pentanediol from Korea, all of which have relevant customs inspection sheets and a complete chain to meet traceability guidelines.

- *Safeguarding supply chain stability*

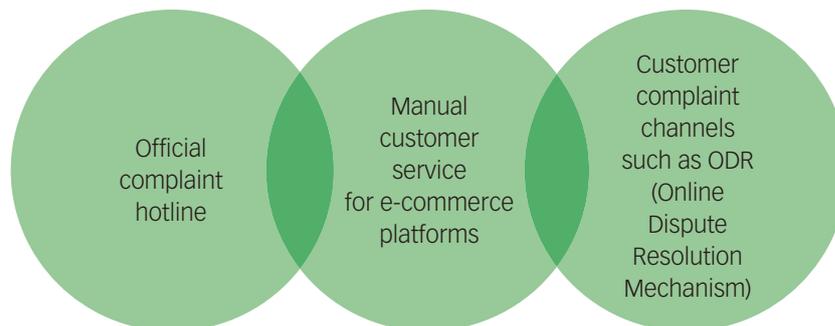
We have developed a supply chain contingency plan by building a raw material database, establishing a sample library and a sample information processing register to anticipate supply chain risks and take action and other measures in advance to ensure normal sourcing. In addition, we have established good collaboration relationships with our suppliers to enhance the stickiness of cooperation to ensure priority protection of emergency materials.

2.4 Customer Services

Giant Biogene is committed to continuously improving the user experience. In view of this, we continue to optimize the quality of our services, provide our customers with high-quality products, strengthen customer privacy protection, respond to customer complaints and suggestions in a timely manner, and protect the rights and interests of our customers in order to secure their trust in Giant Biogene.

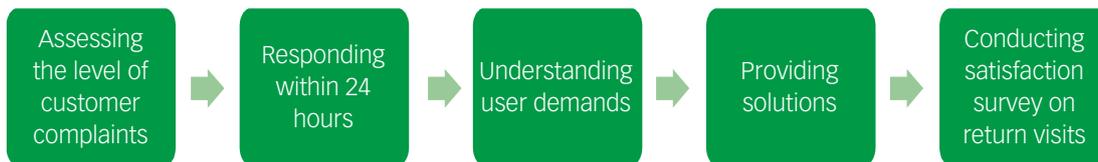
2.4.1 Communicating with customers

We listen and respond to every customer's voice, deal with customer opinions more swiftly through smooth customer communication channels, and make timely feedback and rectification. We have established a variety of customer complaint channels and set up brand customer service to provide them a one-on-one dialogue with us, ensuring that every customer's opinions are dealt with and fed back in time.



We have a well-established customer complaint handling process and are constantly optimizing our customer complaint handling process and channels. For each customer complaint, we handle it according to the relevant system and track the handling of the complaint. In addition, we investigate the handling of customer complaints from time to time, monitor the timeliness of customer complaints handling and customer satisfaction, and constantly optimize the handling plan.

► Environmental, Social and Governance Report



The types of customer complaints received by Giant Biogene in 2022 were mainly the customer feedback such as late delivery of products, under-delivery and wrong delivery, and event queries, and a total of 127 customer complains were received, with no major customer complaints. We ensured that customer complaints were responded to within 2 hours and reached within 24 hours. 100% of customer complaints were handled in 2022, while we achieved a 100% resolution rate of customer complaints.

We are committed to optimizing the customer experience and enhancing customer satisfaction by focusing on customer needs. We regularly conduct customer satisfaction surveys through online channels and increase corresponding activities according to customers' needs.



2.4.2 Customer Rights and Interests

We attach great importance to the protection of consumer rights and interests and uphold the principles of responsible marketing in our communication with consumers to ensure that we provide consumers with truthful and reliable information about our products and are committed to helping each and every consumer consume sustainably. At the same time, we value the protection of customer privacy and are responsible for managing customer information through strict systems and standardized management processes to assure that consumer rights are not infringed upon.

- *Responsible Marketing*

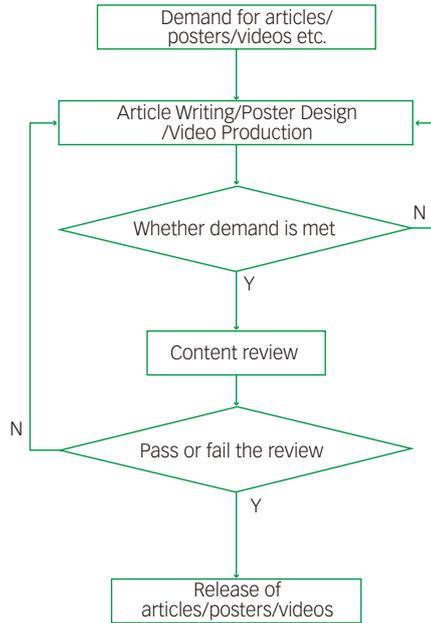
Giant Biogene attaches importance to the compliance of product marketing and strictly complies with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Interim Administrative Measures for the Review and Management of Advertisements for Drugs, Medical Devices, Functional Foods and Foods for Special Medical Purpose (《藥品·醫療器械·保健食品·特殊醫學用途配方食品廣告審查管理暫行辦法》), the Standards for the Examination and Publication of Advertisements for Medical Devices (《醫療器械廣告審查發佈標準》), the Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》), the Administration of Cosmetic Labels (《化妝品標籤管理辦法》) and other laws and regulations to ensure supervision and behavioral restraint throughout the entire sales process. During the Reporting Period, there were no marketing, labelling use and other matters litigation cases arising from the above matters.

We have established a strict content review system for each business outlet to review all external promotional materials, including but not limited to we-media promotional materials, sales materials, training materials, product brochures, private domain promotional materials, PR articles in the form of text, images, videos, PPT, etc for all of our brands, including Giant Biogene and our sub-brands, namely Collgene and Comfy.

Material review	Standards update	Disposal of non-conforming materials
<ul style="list-style-type: none"> • All materials shall be reviewed before release. A review work order shall be registered during review, and materials shall be amended in accordance with the review comments. After being amended, such materials shall conduct another review and pass before release. After release, and update on the link or screenshot of such publication shall be updated for inspection 	<ul style="list-style-type: none"> • Review standards shall be updated from time to time according to laws and regulations, market dynamics, corporate standards, brand standards, etc., and all channels shall be notified to publish promotional materials in accordance with the latest standards 	<ul style="list-style-type: none"> • All kinds of materials shall be reviewed from time to time, if any material is found to be released without being reviewed, the relevant channel must be notified immediately to remove such materials and republish after review, and the violating-channel may be subject to penalty accordingly

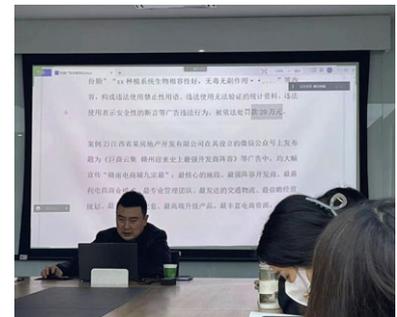
In order to regulate responsible marketing, we have established a strict content review process, requiring the content of all materials to be reviewed before being released. We believe that the establishment of a content review system does not only regulate the consistency and aesthetics of the overall output of a corporate, but also serves as an entry point to control the compliance, authenticity and accuracy of promotional content, ensuring consumers' right to know and safeguarding their legal rights and interests.

► Environmental, Social and Governance Report



Content Review Process of Giant Biogene

We regularly conduct trainings of compliance and responsible marketing to strengthen the responsible marketing awareness of all staff, enhance the knowledge of marketing personnel and improve the capacity of responsible publicity. 8 training sessions involving the whole workforce on marketing publicity compliance were conducted in 2022, with the main focus being policy interpretation, case sharing, practical questions and answers, analysis of publicity pages, etc. 1 study session on the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) and regulations was organized, with the main focus being interpretation of relevant laws and regulations and the promotion of the standard use of trademarks; 38 internal training sessions on marketing publicity compliance were conducted, with the main focus being promotion of the key points of responsible marketing review and update of standardized content, etc.



Responsible marketing training

► Environmental, Social and Governance Report

- *Information security and privacy protection*

We attach great importance to customer information security and privacy protection and standardize the process of accessing customer information. In regard of the public domain platforms, each cooperative e-commerce merchant has encrypted customer information, and the brand complies with the platform rules and practices related to consumer privacy protection. In regard of the private domain channels, we process data and standardize data storage according to different needs, while we established data access authorities, etc. Through the above actions, we firmly safeguard the privacy and security of our customers.

We apply de-identification techniques, anonymization and related reasonable and practicable measures to protect consumers' personal information and adopt security protection mechanisms to prevent malicious attacks on consumers' personal information and to avoid damage or loss of data. For example:

Collection	Transmission and storage	Use
<ul style="list-style-type: none"> • Once we receive personal data from consumers, we follow strict procedures and security measures to prevent unauthorized access to such data 	<ul style="list-style-type: none"> • When transmitting and storing sensitive personal information, we use security measures such as data masking to ensure the security of transmission and storage 	<ul style="list-style-type: none"> • We adopt a variety of data masking techniques, including content replacement and SHA256, to enhance the security of personal information when it is used

3 GREEN OPERATION

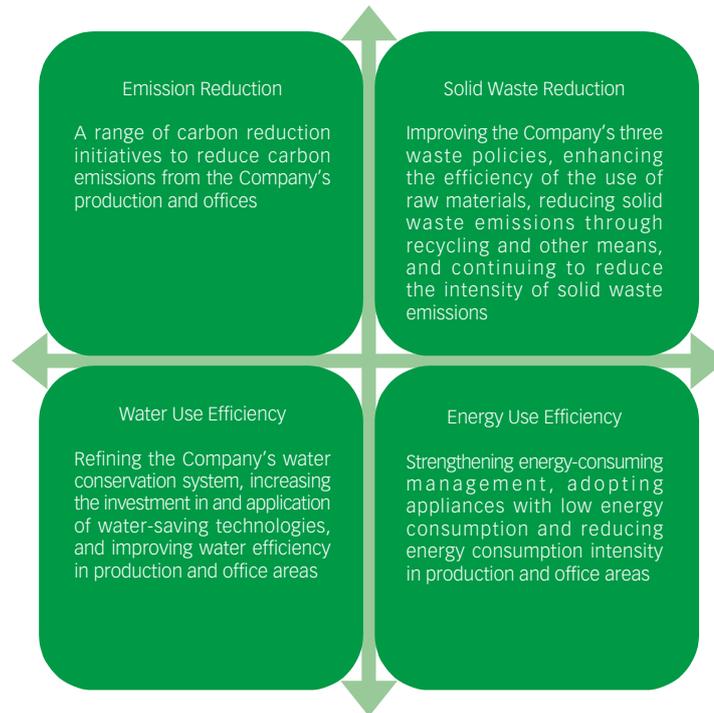
Giant Biogene has always been committed to the concept of green development, bringing beauty and health to our customers while at the same time preserving nature. While adhering to regulatory principles, we have established a green operation system of Giant Biogene, adopting various environmental measures to improve resource efficiency, create green products, reduce environmental risks and realize green and sustainable development.

3.1 Environmental Management

Giant Biogene complies with the Law of the People's Republic of China on Environmental Protection (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》) and other laws and regulations, and carries out the construction of the Company's environmental management system and the establishment of systems to provide institutional guarantee for the Company's green operations, so as to achieve full coverage of major environmental issues such as emissions of three wastes, carbon emissions, energy management, use of resources, and climate change risk identification and response.

► Environmental, Social and Governance Report

With reference to the Environmental, Social and Governance Reporting Guide by the Hong Kong Stock Exchange, and drawing on excellent management practices in China, we have formulated four major environmental management objectives, setting out long-term development requirements in four areas: carbon emission reduction, solid waste reduction, water use efficiency and energy use efficiency objectives, which provide direction for Giant Biogene's environmental management.



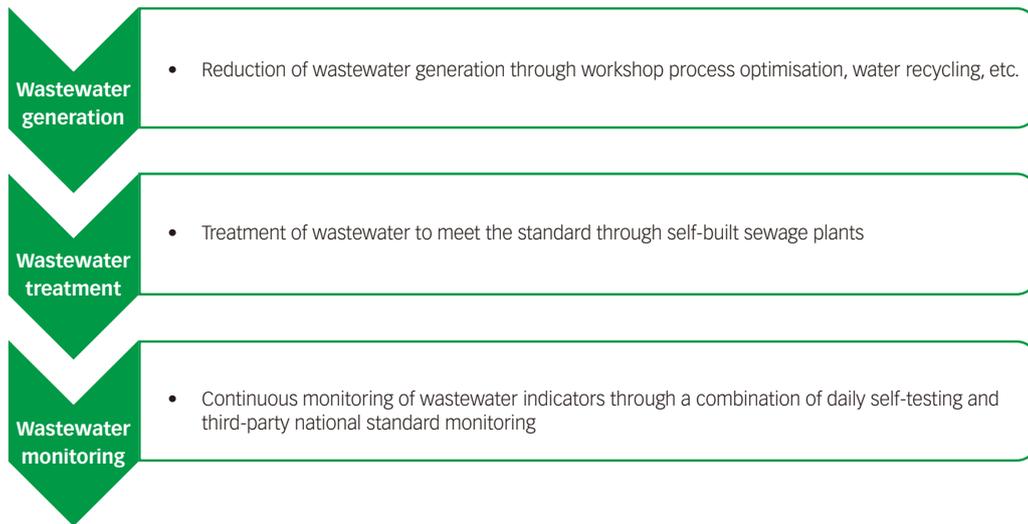
Under the guidance of the four major environmental objectives, Giant Biogene did not experience any environmental pollution incidents or receive any environmental administrative penalties during the year, and all waste gas and wastewater were discharged and disposed of in a compliant manner.

3.2 Emissions Management

Giant Biogene complies with the laws and regulations related to the management of emissions of where it operates, and has established internal regulations such as the Environmental Protection System (《環境保護制度》), the Management System for Pollutant Emissions and Environmental Protection Statistics (《污染物排放及環保統計工作管理制度》), the Management System for Environmental Protection Files (《環境保護檔案管理制度》), the Management System for the Operation of Environmental Protection Facilities (《環保設施運行管理制度》) and the Management System for Environmental Protection Inspections (《環境保護巡查管理制度》) to regulate the Company's emission reduction control, data management and supervision and inspection work, so as to ensure the legal compliance of the Company's emission indicators and minimize the impact of the Company's operation on the natural environment such as the atmosphere, water bodies and soil.

3.2.1 Wastewater management

During production and operation, Giant Biogene complies with the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Integrated Sewage Discharge Standard (《污水綜合排放標準》) and the Standard for the Quality of Sewage Discharged into Urban Sewers (《污水排入城鎮下水道水質標準》), and has established an internal Wastewater Treatment Management System (《廢水處理管理制度》) and Wastewater Discharge Management Regulations (《污水排放管理規程》) as the framework documents for the Company's wastewater management, covering both factory production and office operation. At the same time, we have set up a comprehensive process control and management system for wastewater, to minimize pollution of water bodies and reduce discharge of wastewater.



Responsibilities of the wastewater management department

Treatment during the process	Wastewater discharge
<ul style="list-style-type: none"> The safety and environmental protection department is responsible for establishing new projects and classification of wastewater, supervision of workshop discharge, supervision of daily operation, adjustment of wastewater treatment processes, daily maintenance of wastewater treatment stations, rainwater pipelines and wastewater management The infrastructure department is responsible for the separation of rainwater and wastewater in new projects in accordance with the requirements of the safety and environmental protection department, carrying out renovation of wastewater and rainwater pipeline networks for existing projects and timely filing of wastewater discharge information for new projects 	<ul style="list-style-type: none"> The deputy general manager in charge oversees the management of the Company's wastewater discharge Quality assurance engineer inspects the Company's wastewater discharge management The safety and environmental protection department and the production department are responsible for the management of the Company's wastewater discharge Wastewater treatment workers perform daily inspection and dosing of wastewater treatment tanks and fill in operation records

► Environmental, Social and Governance Report

During the Reporting Period, Giant Biogene carried out process enhancement of production workshops to improve the efficiency of water use in the production process and reduce the amount of water consumed and wastewater generated. In addition, in terms of equipment cleaning and cooling water emission reduction, we have adopted equipment CIP circulating cleaning pumps, process cooling systems and cooling circulation systems to recycle cleaning and cooling water and reused air-conditioning condensate water that should have been discharged directly, which has greatly reduced wastewater discharge.

Wastewater generated from the Company's production and operation is subject to central processing in our self-built sewage plant, which operates continuously for 24 hours and wastewater is treated until it fully meets the standards, so as to ensure that the impact of the discharged wastewater on the environment is minimized.



In terms of wastewater monitoring, the safety and environmental protection department of Giant Biogene checks wastewater indicators on a daily basis and engages a third party to perform inspections in accordance with national standards, forming a double assurance policy of "self-testing + third-party monitoring" of wastewater.

The following table illustrates details of the indicators wastewater discharge of Giant Biogene during the year:

Name of Indicator	Total Quantity	Unit
Total wastewater discharge	11,352.8	tonnes

3.2.2 Waste gas management

Giant Biogene complies with the Air Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Emission Standards for Air Pollutants from Boilers (《鍋爐大氣污染物排放標準》) and other relevant national laws and regulations on waste gas management, establishes the Company's Waste Gas Treatment Management System (《廢氣處理管理制度》), adopts a variety of equipment to achieve waste gas emission reduction and waste gas emission standards, and continuously monitors the amount of waste gas generated by the Company to improve the Company's ability to control and manage waste gas emissions.



Workshop organic waste gas treatment equipment



Plasma photo-oxidation integrated machine



Oil fume purifier

In order to monitor the Company's waste gas emissions in a timely manner and ensure that standards are met, we have engaged a qualified third party to conduct regular monitoring of the Company's waste gas emission indicators, the frequency of monitoring for different indicators of waste gases is detailed in the following table:

Name of indicator	National standard	Frequency of monitoring
Sulfur dioxide	HJ57-2017	Monitoring annually
Particulate matters	HJ836-2017	Monitoring annually
Darkness of smoke	HJ/T398-2007	Monitoring annually
Cooking fume	GB18483-2001	Monitoring annually
Ozone concentration	GB/T14675-1993	Monitoring semi-annually
Non-methane hydrocarbon	HJ604-2017	Monitoring semi-annually
Oxynitride	HJ693-2014	Monitoring monthly

► Environmental, Social and Governance Report

During the year, the major waste gas pollutant emissions of Giant Biogene were as follows:

Name of indicator	Total volume	Unit
Oxynitride	0.33	tonnes
Oxysulfide	0.038	tonnes
Smoke dust	0.0073	tonnes
Suspension particles	0.040	kg

3.2.3 Solid waste management

In terms of solid waste management, Giant Biogene has established the solid waste management system (《固體廢棄物管理制度》), and has implemented a series of measures to achieve effective classification and full process management of the Company's solid waste.

Normal Solid Waste

- Reusable waste will be recycled
- Non-recyclable waste will be delivered to qualified third parties for transport and disposal

Hazardous waste

- Entrusted to a third party with a corresponding hazardous waste management licence
- Handed over to a unit qualified to transport and transfer hazardous waste by road, and issued a hazardous waste transfer list
- Execute the transfer of hazardous waste and dispose of it in accordance with the requirements on the hazardous waste transfer list

During the year, the major solid waste discharged by Giant Biogene were as follows:

Name of indicators	Total volume	Unit
Total volume of hazardous waste	11.15	tonnes
Intensity of hazardous waste	0.0047	tonnes/million revenue
Total volume of non-hazardous wastes	136.25	tonnes
Intensity of non-hazardous wastes	0.06	tonnes/million revenue

3.3 Energy Management

In terms of energy management, Giant Biogene follows national laws and regulations such as the Law of the People's Republic of China on Energy Conservation (《中華人民共和國節約能源法》), and has established the Energy Conservation Target Responsibility System (《節能目標責任制度》), Energy Management Regulations (《能源管理規定》) and Energy Utilization Analysis System (《能源利用狀況分析制度》) to strengthen Giant Biogene's management and supervision of energy consumption in order to reduce energy consumption and rationalize the use of energy. In the meantime, we actively take measures to achieve the goal of energy saving and consumption reduction in production, office and new projects.

Energy saving equipment	<ul style="list-style-type: none"> Giant Biogene adopts infrared sensor lights, voice-activated sensor lights and solar street lights in the office and production environment to reduce energy consumption of lamps Adoption of central air-conditioning pipe insulation and chilled water supply and return pipe insulation technology
Energy saving buildings	<p>New constructions of Giant Biogene during the Reporting Period:</p> <ul style="list-style-type: none"> The external metal composite panels used on the facade are recyclable materials The exterior walls are made of aerated concrete blocks and the external windows are made of broken bridge aluminum alloy LOW-E insulating glass to improve the insulation coefficient of the whole building envelope, so as to reduce energy consumption during the operation of the building Installation of solar photovoltaic systems to support energy supply with clean energy
Energy saving trainings	<p>During the year, Giant Biogene conducted training sessions on energy saving, covering departments with higher energy consumption, to enhance staff awareness of energy saving</p>

► Environmental, Social and Governance Report

The Company's major energy consumption is natural gas, diesel, gasoline, purchased electricity and solar energy. The energy consumption and major greenhouse gas emissions of Giant Biogene during the year are as follows:

Name of energy/indicator	Total volume/ intensity	Unit
Natural gas	455,407.00	cubic meters
Diesel, gasoline	18,084.00	liters
Purchased electricity	500.50	ten thousand kwh
Self-generated solar energy	0.19	ten thousand kwh
Total direct energy consumption	752.85	tonnes of standard coal
Total direct energy consumption intensity	0.32	tonnes of standard coal/million revenue
Total indirect energy consumption	615.11	tonnes of standard coal
Total indirect energy consumption intensity	0.26	tonnes of standard coal/million revenue
Total integrated energy consumption	1,136.49	tonnes of standard coal
Total integrated energy consumption intensity	0.48	tonnes of standard/million revenue

Name of indicator ¹	Total volume/ intensity	Unit
Scope 1 greenhouse gas emissions	1,058.09	tonnes of carbon dioxide equivalent
Scope 2 greenhouse gas emissions	3,349.11	tonnes of carbon dioxide equivalent
Total greenhouse gas emissions	4,407.20	tonnes of carbon dioxide equivalent
Greenhouse gas emission intensity	1.86	tonnes of carbon dioxide equivalent/ million revenue

1 The source of greenhouse gas emissions of Giant Biogene is from the Greenhouse Gas Verification Statement (《溫室氣體核查聲明》) issued by Xi'an United Nations Quality Detection Technologies Joint Stock Company Limited (西安國聯質量檢測技術股份有限公司), which meets the requirements of ISO 14064-1:2018, 2006 IPCC Guidelines for National Greenhouse Gas Inventories (《IPCC2006國家溫室氣體清單指南》), Greenhouse Gas Emissions Accounting Methods and Reporting Guidance for Chemical Production Enterprises (Trial) (《化工生產企業溫室氣體排放核算方法與報告指南(試行)》), certification number: UNQD-GHG-2023-005

3.4 Use of Resources

3.4.1 Use of water

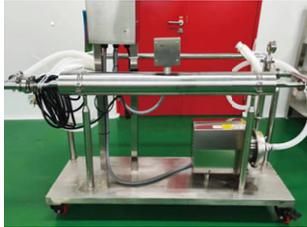
Giant Biogene adheres to the concept of water conservation and water saving, and strictly complies with the requirements of Water Law of the People's Republic of China (《中華人民共和國水法》) and other laws and regulations. Relevant management policies have been formulated in line with our own operating conditions, and we have taken targeted measures to improve the efficiency of water use in its production and office environment.

Water saving in production

Name of project	Picture	Effects of project
Chilled water circulation system for the process		<p>Chilled water circulation system for the process, using purified water intermediate water circulation, without impurities and scaling, and has better water quality, lower water temperature, improved heat exchange rate and equipment utilization rate, reduced equipment corrosion rate, which greatly reduces the use of industrial circulating water. Since the implementation of the project, 292 tonnes of water has been saved each day theoretically and 87,600 tonnes of water has been saved each year theoretically.</p>
Enclosed cooling towers		<p>The cooling water saving circulation system for the process adopts enclosed cooling tower. As it enables fully closed circulation cooling, no debris can enter the cooling pipeline system, which avoids the occurrence of pipeline blockage, and can be directly used in the cooling of water, oil, alcohol, quenching liquid, brine and chemical liquid and other media, with no loss of media and has a stable composition. It also adopts the air cooling, evaporation and heat absorption dual cooling method, and has high cooling efficiency. With this system, 196 tonnes of water can be saved each day theoretically and 58,800 tonnes of water can be saved each year theoretically.</p>

► Environmental, Social and Governance Report

Water saving in production

Name of project	Picture	Effects of project
Equipment CIP circulation cleaning pumps		The conventional process used for cleaning the inside of the production pipe is to drain while feeding water, which has a lower water utilization rate. By cleaning with CIP, the injected water can be recycled, reducing the amount of water injected and thus realizing water saving.
Cooling circulation system		The cooling circulation system mainly recycles the condensate produced by the combined air conditioner shelf surface cooler and heating coil of the air handling units, and the fan coil of the central air-conditioners for the use at the boiler water softening system. With this system, 40 tonnes of water can be saved each day theoretically and 12,000 tonnes of water resources can be recycled each year theoretically.

Water saving in the office

- Water-saving appliances are installed in restrooms. Our equipment maintenance staff regularly inspect the water facilities to check for runs, bubbles, drips and leaks, and troubleshoot them promptly.
- Strengthening the training and propaganda of water conservation in all departments of the Company, raising the awareness of water conservation among the Company's staff, developing water conservation habit of turning off the taps and avoiding long running water.
- Scientific and timely irrigation of office greenery according to seasonal and weather changes, using sprinkler irrigation to reduce water consumption.

During the year, the Company's main source of water was municipal water, and the Group's water consumption is shown as below:

Name of indicator	Total volume/ intensity	Unit
Total water consumption	76,503.00	cubic meters
Consumption intensity of water	32.36	cubic meters/million revenue

3.4.2 Use of packaging materials

In terms of the use of packaging materials, Giant Biogene upholds the concept of recovery, reuse and recycle, simplifying and using more eco-friendly packaging materials, in order to achieve green packaging and green transportation.

Carton recycling	The Company reuses cartons for logistics deliveries, avoiding the use of foam boards and recycles cartons of our received parcels
Replacing wrap film with cloth straps	During the Reporting Period, we procured a total of 4,000 pieces of long-term reusable straps. With the replacement of disposable wrap film with cloth straps that have a lifespan of 3-5 years. We reduced our wrap film usage by 1,200 rolls compared to the previous year
Replacing plastic pallets by wooden pallets	During the Reporting Period, the Company replaced the plastic pallets used for procurement with wooden pallets to reduce the use of non-renewable resources
Reduction of packaging lining	Removal of the inner tray from the product box to reduce the use of paper packaging materials
Improvement of anti-counterfeiting labels	Optimization of the original plastic security label by using biodegradable ink and printing the anti-counterfeiting code directly on the outer packaging box, reducing the use of plastic labels

During the Reporting Period, the major types of internal packaging materials we used included plastic bottles, aluminum foil bags and glass bottles, and the main types of external packaging materials included paper boxes and cartons. During the year, the use of packaging materials by Giant Biogene is as follows:

Name of indicator	Total volume/ intensity	Unit
Metals	113.87	tonnes
Papers	2,157.15	tonnes
Plastics	2,274.83	tonnes
Fabrics	109	tonnes
Intensity of packaging materials used	1.97	tonnes/million revenue

► Environmental, Social and Governance Report

3.4.3 Use of raw materials

The raw materials used in the production of Giant Biogene are mainly recombinant collagen, rare ginsenosides, ginseng powder, hyaluronic acid, glycerin, etc., which are produced domestically. We adopt raw material inspection, first article inspection and production line inspection to improve the production yield and reduce the waste of raw materials due to defective products.

Raw material inspection	Strengthening sampling inspection of raw materials entering the factory and assessing the passing rate of raw materials from suppliers, so as to control the quality of raw materials from source and reduce the loss of materials due to poor quality of incoming materials during the production process
First article inspection	In addition to controlling the source, the inspection and management of the first article in the production process is enhanced to avoid the loss of raw materials used due to defective batch products
Production line inspection	After the first article inspection, specialized inspectors are deployed at the product filling process, packaging process and other production lines to conduct random inspections on site from time to time to avoid the loss of raw materials due to defective products in a timely manner

3.5 Coping with Climate Change

In order to actively address the issue of global climate change, Giant Biogene has incorporated coping with climate change into the Company's environmental management, and has carried out initial work on climate change risk identification with reference to the framework recommendations issued by the Task-force on Climate-related Financial Disclosures (TCFD).

During the Reporting Period, we have primarily identified acute physical risks and believed that extreme weather such as heavy rainfalls, floods and high temperatures has a direct impact on our business. For example, heavy rainfalls and floods can lead to adverse effects such as disruptions in the production supply chain and restrictions on sales and shipments. In response to the above acute risks, Giant Biogene has established contingency plans such as the Emergency Plan for Flood and Storm Prevention (《防洪防汛防暴雨應急預案》), Emergency Plan for Summer Showers (《夏季陣雨應急預案》) and "Emergency Plan for High Temperature (《高溫應急預案》) to minimize the impact of the above risks on Giant Biogene's normal production and operation activities.

4 HUMAN RESOURCES

It is the vision of our human resource management to achieve mutual development with our employees and to promote the evolution of our organization through the growth of our employees. We believe that human resources are the source of vitality for the innovative development of an enterprise. We uphold the core values of corporate culture: “correct direction, pragmatic and progressive, unity and perseverance, active collaboration, efficient execution and sincere altruism”, and constantly improve our human resource management system to protect the legitimate rights and interests of our employees and support their development.

4.1 Compliant Employment

Giant Biogene welcomes all talented employees from far and wide. While strictly abiding by all laws and regulations and protecting the legal rights of our employees, we strive to provide competitive salaries and benefits for each employee, creating an inclusive and professional environment with better workplace experience.

4.1.1 Recruitment and employment

Giant Biogene adheres to legal employment and strictly abides by the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), the Law on the Protection of Workers’ Rights and Interests (《勞動者權益保護法》) and other laws and regulations, and has established recruitment and employment management systems such as the Staff Recruitment Management Regulations (《員工招聘管理規程》) and the Labor Contract Management Regulations (《勞動合同管理規程》) to effectively protect labor rights and interests.

- *Labor rights and interests*

To protect labor rights and interests, we strictly prohibit the employment of child labor and forced labor, and have clearly stipulated in our Staff Recruitment Management Regulations (《員工招聘管理規程》) that the age requirement for recruitment is 18 years old or older. In practice, we verify the information of ID cards, graduation certificates and other valid documents at the preliminary examination stage to eliminate the possibility of employing child labor at source.

It is specified in our Labor Contract Management Regulations (《勞動合同管理規程》) that Giant Biogene adopts three types of working hour systems: standard working hours, irregular working hours and comprehensive working hours. The necessity of overtime work will be strictly reviewed, protecting the rights and interests of workers, and any form of forced labor is forbidden. Moreover, we respect and protect the legitimate rights and interests of employees to enjoy statutory holidays, statutory annual leave and other leave.

- *Anti-discrimination*

Giant Biogene is firmly against all forms of discrimination and unequal competition, and we have zero tolerance towards acts of discrimination that restrict career choices on the basis of gender, education, age, health status, religious beliefs, etc. The Company’s anti-discrimination philosophy has been deeply embedded and implemented through a series of management measures and publicity campaigns.

- *Staff Diversity*

Giant Biogene attaches importance to the diversity of its workforce and aims to build a diverse talent pool through its recruitment efforts. In 2022, we focused on our recruiting goals with the concept of welcoming all talented employees from far and wide and recruited a large number of outstanding talents who share our values through campus and social recruitment.

► Environmental, Social and Governance Report

Campus recruitment

- In 2022, Giant Biogene conducted a total of 21 online and offline seminars and job fairs on campuses, and held a total of 19 special job fairs for general workers and fillers of production department, and completed talent mapping for 40 positions

Social recruitment

- Through recruitment websites, on-site job fairs organized by the Xi'an Talent Center and internal referral, Giant Biogene focuses on the selection of talents that fits its requirements in terms of both job competencies and corporate core values

In 2022, Giant Biogene was awarded the China Preferred Employer of the Year 2022 Award (2022中國年度優選僱主獎項) by Zhilian Recruiting (智聯招聘).

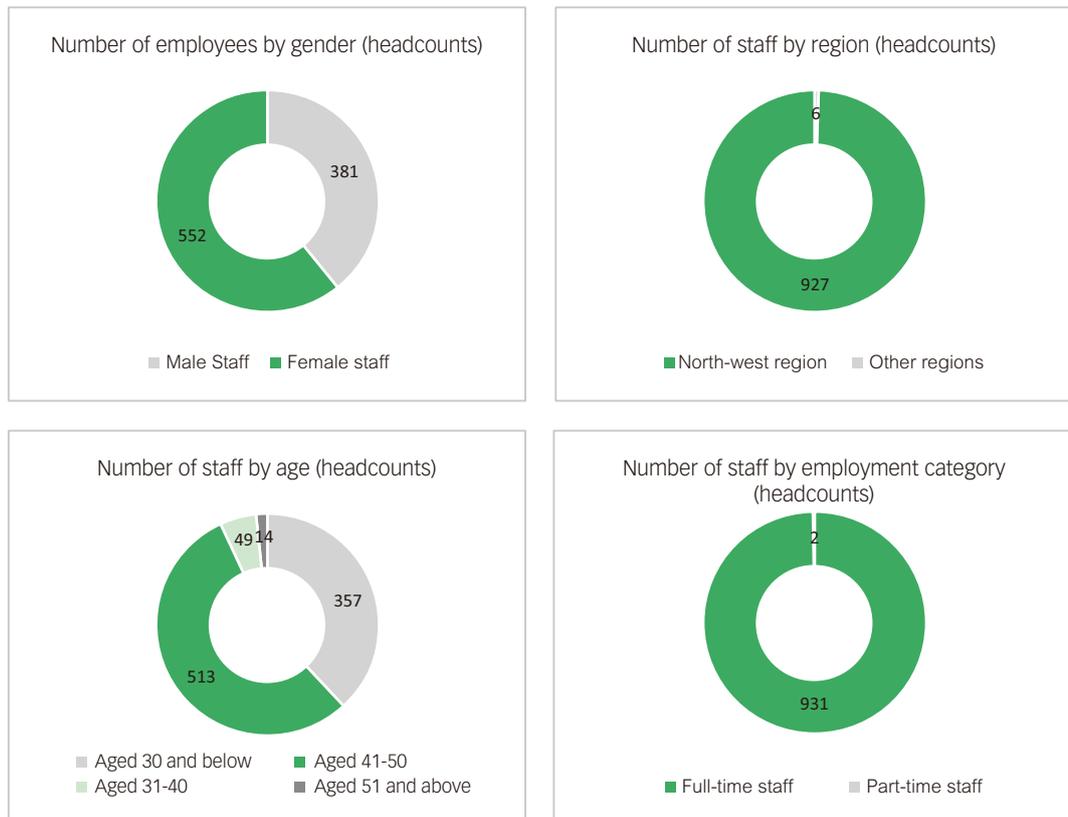


Giant Biogene participated in employment promotion activity



Giant Biogene was awarded the Preferred Employer Award

As of the end of the Reporting Period, Giant Biogene had a total of 933 employees, with a breakdown of the number of employees by gender, region, age and employment category as shown in the chart below:



4.1.2 Remuneration and benefits

Giant Biogene appreciates the dedication of every employee and has established a salary and performance assessment management method to effectively motivate employees and create a win-win incentive mechanism for both employees and the Company.

- *Remuneration management*

With a sound remuneration system as our anchor, we regularly update our remuneration management system according to the needs of the Company and our employees, giving full play to the motivational effect of remuneration to attract and retain employees and incentivize their enthusiasm at work, and enhancing the competitiveness of our talents. In 2022, we introduced information technology for payroll accounting, ensuring a high level of accuracy in payroll accounting to cope with the rapid growth in the number of employees.

- *Performance assessment*

In order to enhance organizational efficiency and creativity, and to ensure reasonable remuneration performance, we introduced the OKR (Objectives and Key Results Approach) tool in our performance assessment, utilizing its goal-oriented assessment mindset. In 2022, we piloted the OKR assessment approach in the performance assessment methods of our product department, Shanghai brands center, offline operations department and functional departments to intensify performance orientation and goal orientation and effectively improve the actual results of performance assessment.

► Environmental, Social and Governance Report

• *Employee benefits*

Giant Biogene attaches great importance to employee benefits and guarantees the care of our employees by continuously improving our remuneration and benefits system. In addition to the statutory benefits, we also provide a series of non-salary benefits, including holiday greetings, free shuttle buses, condolence gifts, home and car purchase subsidies, hardship subsidies, etc. We are committed to creating a warm working environment and providing warm corporate care for each and every employee.

Statutory benefits	Holiday and birthday benefits	Female employee care	Additional benefits
<ul style="list-style-type: none"> • Social Insurance • Housing Provident Fund • Statutory holidays 	<ul style="list-style-type: none"> • Holiday gift packs and holiday greetings for staff during every festive occasions • Organize activities on staff birthdays and distribute birthday gifts 	<ul style="list-style-type: none"> • Organize warm greetings for female staff on the 8 March Women's Day to express our care to them on such festival 	<ul style="list-style-type: none"> • Support for employees in difficult family economic situations • Offer low-interest loans for employees to help them with their home purchase or car purchase

Employee Benefits of Giant Biogene

4.2 Employee Development

Giant Biogene places great importance on the training and development of our employees and believes that the development of our employees is the key to our growth. We have established a comprehensive talent training system, planned a smooth career development path, actively encouraged employees to obtain relevant functional certifications, and supported each employee to continuously improve their own abilities.

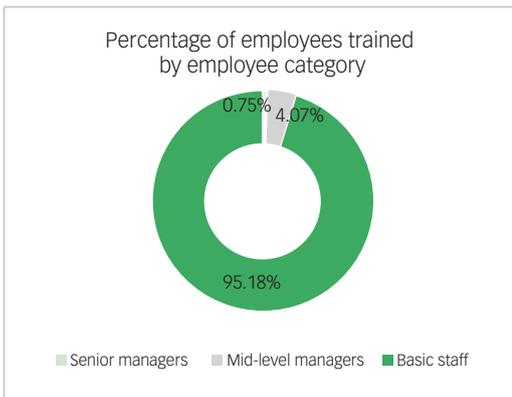
4.2.1 Employee Training

We have developed a comprehensive training management system and set up an employee training system involving all employees. We provide various training courses to new employees, full-time employees and our talent pool to help employees improve their abilities in all aspects.

Induction training for new employees	On-the-job training	Developing a talent pool
<ul style="list-style-type: none"> • Induction training for new employees is carried out in accordance with the Management Measures for Training New Employees of Giant Biogene (《巨子生物新員工培養管理辦法》) to strengthen employees' knowledge of the Company's culture, brand and position, so that new employees can master job skills and be competent for their jobs as soon as possible 	<ul style="list-style-type: none"> • Based on the Company's development and personal development needs, regular employees are provided with management courses, leadership improvement courses, personal quality improvement courses, professional skills courses, quality management system training, etc. 	<ul style="list-style-type: none"> • According to the development needs, employees are recruited externally or selected internally as a reserve of talent, based on the core competency model to develop a training plan, in the process of knowledge learning, job practice through the Company's designated mentor coaching training

In 2022, Giant Biogene conducted a total of 18,274.00 hours of employee trainings, and the coverage reached 100%. To help new employees adapt to the workplace quickly, we organized 49 training sessions for the new employees and organized 2 training sessions for the “Good Mentors” (「好師傅」) Program. 124 mentors passed the training assessment and were qualified to becoming a mentor through training sessions.

Details of the training received by all employees of Giant Biogene during the Reporting Period are as follows:



► Environmental, Social and Governance Report

To meet the needs of business development and management, we offer professional skills training for staff to achieve specific empowerment. In 2022, we tailor-made 2 trainings, namely “Middle and Junior Management Skills Enhancement Training” and “Emotional Intelligence Leadership Training for Leaders”, for key staff and management cadres respectively, with a total of 245 participants.

4.2.2 Employee development

We have built a smooth career development path for every employee, helping to develop talents in terms of hiring, retaining and nurturing. In 2022, the Company has formulated the Reserve Manager Training Program (《儲備經理培養方案》) and Reserve Director Training Program (《儲備總監培養方案》) in terms of developing the career path of internal employees, encouraging employees to be enterprising, promoting the growth of key employees and broadening their career path.

We continue to strengthen the training and development of internal talents, fully support internal rotation and transfer of staff, and provide diversified career development paths for our staff.

The Company supports its staff in academic upgrading and professional qualification certification, and has formulated the “Continuing Education Program for Working Personnel (《在職人員繼續教育方案》)” in respect of staff learning and growth, encouraging and supporting staff to obtain professional qualifications, attend continuing education and obtain degree courses, providing policy support and granting incentive allowances.

4.3 Employee Care

Giant Biogene insists on putting people first and carries out employee care in multiple dimensions. Through efficient employee communication, various employee benefits and diversified employee activities, Giant Biogene conveys the care and warmth of its employees and continues to improve their sense of belonging and satisfaction.

4.3.1 Caring for our employees

We are committed to caring for our employees from the very beginning of their careers, arranging instructors to help new employees understand the Company's systems, solve problems in life and work, relieve tension and work pressure, and enhance their sense of belonging.

We have established a comprehensive employee care system covering all regular employees and trainees. In 2022, we presented gifts to all employees on every important holiday and organized birthday parties every quarter, and delivered gifts to those celebrating their birthdays.

In 2022, the human resources and administration department regularly organized staff to carry out "Reading for the Soul (讀書養心)" activities to share their work experience and improve their skills while soothing their emotions, enriching their minds and leading young people to enjoy their work and cherish the moment through the sharing of classic works such as Records of the Grand Historian – Biographies of the Famous (《史記-名人列傳》), Micro Dust (《微塵》) and To Live (《活著》).



Employee's birthday, holiday benefits, a study group, "Reading for the Soul"

4.3.2 Employee communication

By practicing “active collaboration and sincere altruism (主動協作·真誠利他)”, we fully respect our employees and have established multiple channels for communication with them. In 2022, the Company established the “Employee Seminar Management Mechanism (《員工座談會管理機制》)” at the institutional level, requiring all departments of the Company to conduct employee interviews and follow up on the feedback from the employee seminars, starting from the details and solving problems at the grassroots level.

At the same time, we have set up a smooth feedback channel for our employees to understand their thoughts and problems or confusions in work and life, and take the initiative to solve their problems, strengthen their confidence in the Company and enhance their sense of belonging. We have set up a suggestion box for our employees, so that they can complain to their supervisors or to the human resources and administration department by leaving a message in the suggestion box, and the complaint will send straight to the general manager.

The 2022 Giant Biogene Employee Satisfaction Survey was conducted in December, with 70.3% of the total number of employees participating. The questionnaire provided a multi-dimensional understanding of employees’ thoughts from the levels of corporate culture, team goals, performance management, communication and work methods, and collects employee questions and feedback to assist the Company in optimizing internal management and improving management shortcomings more precisely.

We analyzed the textual feedback of employees’ opinions and suggestions in conjunction with the questionnaire, and implemented improvements to the specific suggestions and recommendations made by employees in areas such as administrative and logistical services, and work collaboration. In addition, in 2022, we conducted monthly satisfaction surveys on kitchen and logistics services to improve the motivation of kitchen staff, which had a significant impact on improving the hygiene of the back kitchen and the quality of the dishes.

During the Reporting Period, the Company's employee turnover rate was 25.12%, with a breakdown of employee turnover by each group as follows:

Employee turnover rate by gender	Percentage
Male	25.88%
Female	24.59%

Employee turnover rate by age	Percentage
Employee aged 30 and below	24.52%
Employee aged 31-40	26.82%
Employee aged 41-50	15.52%
Employee aged 51 and above	0.00%

Employee turnover rate by region	Percentage
North-west region	25.24%
Other regions	0.00%

4.4 Employee Health

Giant Biogene is committed to creating a safe and healthy working environment for all employees. We are committed to strengthening the main responsibility for safety, creating a healthy, safe and stable working environment, and strictly protecting the health and safety of every employee.

4.4.1 Production safety management

Giant Biogene implements the production safety policy of "safety first, prevention first, comprehensive treatment (安全第一、預防為主、綜合治理)", strictly complies with the laws and regulations such as the Law of the People's Republic of China on Safety Production (《中華人民共和國安全生產法》) and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), and has formulated the Management System of Responsibility for Prevention and Control of Occupational Disease Hazards (《職業病危害防治責任制管理制度》), the Management System of Declaration of Occupational Disease Hazards (《職業病危害項目申報管理制度》), and the Management System of Occupational Disease Protective Equipment (《職業病防護用品管理制度》), and comprehensively promotes the standardization of production safety and continuously improves the level of production safety.

► Environmental, Social and Governance Report

In order to ensure production safety, we strictly implement safety inspection, safety hazard inspection, regular safety training and fire drills to strengthen the awareness of all staff on safety production.



Giant Biogene safety training and emergency drills

In 2022, our production work proceeded smoothly with no major safety incidents throughout the year. We have a 100% certification rate for special operators and a 100% training rate for safety in production. No fatalities due to work-related injuries were reported in the past three years. During the Reporting Period, the number of working days lost due to work-related injuries was 99².

4.4.2 Support for the health of employees

We care for the health of each and every one of our employees and have established a Health Management Protocol (《員工健康管理規程》) for our employees and have implemented a series of measures to create a safe and secure working environment for them.

Detection of occupational hazards	Labor protection materials	Occupational health training	Occupational health check-ups
<ul style="list-style-type: none"> Regular detection and evaluation of occupational hazards 	<ul style="list-style-type: none"> Equipping employees in special positions with protective hats, masks, protective glasses, overalls, etc. 	<ul style="list-style-type: none"> Training on the Occupational Disease Prevention and Control Act and training on occupational health and heat protection, etc. 	<ul style="list-style-type: none"> Conducting safety monitoring and occupational health check-ups for employees in workplace with occupational hazards

In addition to safeguarding the occupational health of our staff, we attach great importance to the health protection of our staff in their daily life, such as issuing heat stroke prevention items to our staff in hot weather, delivering meals and providing point-to-point transportation by shuttle bus for staff in need during the prevention and control of special public health events, etc., so as to protect the health of all of our staff comprehensively.

² The total number of working days of actual work-related injury leave taken by employee of labor contract due to work-related injuries, namely the number of working days lost due to work-related injuries.

5 COMMUNITY BUILDING TOGETHER

Building upon and leveraging the industrial advantages, Giant Biogene serves the public and makes contribution to the society. On one hand, we actively participate in industry activities and work with partners to explore new paths and opportunities for industry development. On the other hand, we also take the initiative to assume social responsibility, actively participate in public welfare, and devote ourselves to giving back to society with love.

5.1 Industry Events

We actively participate in industry events, creating communication and learning opportunities through industry alliances and summits, linking peers, authoritative experts and scholars, professional leaders and emerging leaders in the industry, promoting Giant Biogene's continuous research on core technologies while enhancing Giant Biogene's industry influence and broadening public awareness.

Event	Content	Venue
National Conferences	National Skin Care Day	Online
	Nanjing Anti-Aging Medical Congress	Nanjing
	Mevos International Congress of Aesthetic Surgery and Medicine 2022	Hangzhou
	AMWC China 2022	Chengdu
Online Academic Conferences	Expert Lectures (專家大講堂)	Online
Academic Sponsorship	Sponsored by the Thesis Fund of Jiang Su Anti-aging Association	Jiangsu

In June 2022, the inaugural meeting of the Jiangsu Anti-Aging Society Skin Regeneration and Repair Branch and the first annual academic conference (江蘇省抗衰老學會皮膚再生與修復分會成立大會暨第一次學術年會) was successfully held in Nanjing, hosted by Jiang Su Anti-aging Association, organized by Jiangsu Provincial Hospital and co-organized by Giant Biogene. The conference brought together more than 200 industry experts from all over the country to carry out academic discussion activities integrating "sharing – leading – discussion – common progress". At the same time, Giant Biogene, together with Jiang Su Anti-aging Association, established the "Giant Biogene Recombinant Collagen Thesis Fund (巨子生物重組膠原蛋白論文基金)" to encourage clinical applications and research related to Giant Biogene's recombinant collagen products.

2022 is the fourth year that Giant Biogene has been invited to participate in the Mevos International Congress of Aesthetic Surgery and Medicine. As a pioneer in the recombinant collagen industry, Giant Biogene discussed industry trends and cutting-edge hot spots with many authoritative experts, famous exhibitors and industry practitioners at the congress. The presentation of Giant Biogene brand matrix demonstrated the strength of our products, while the presentation of our chief consultant on "Recombinant Gliadin Mesotherapy (《重組膠原蛋白美塑綜合療法》)" attracted the attention of many industry professionals and was well received by the guests.



Co-organizing a medical conference hosted by Jiang Su Anti-aging Association



Giant Biogene at the Mevos Congress

5.2 Philanthropy

As a creator and beneficiary of social value, Giant Biogene understands that companies need to actively practice socialist core values and assume social responsibility. In order to enhance our corporate credibility, we actively respond to calls from government departments, communities and non-governmental organizations, and are always active in the front line of public welfare. We have carried out a number of public welfare activities in various areas such as knowledge dissemination, charity donations and volunteer services. During the Reporting Period, we contributed a total of RMB6.714 million and accumulated more than 720 hours of service.

5.2.5 Skin Care Day Charity Clinic

In 2022, Giant Biogene joined hands with the China Dermatologist Association (CDA) to launch a large-scale public welfare clinic in more than 600 public hospitals across China, providing patients with “face-to-face consultation and one-on-one advice” and free solutions and distributing Giant Biogene product trial packs.



Hospital events on National Skin Care Day

► Environmental, Social and Governance Report

Adhering to the mission of “Biotechnology to empower beauty and health”, Giant Biogene actively practices social responsibility, gives back to society through practical actions, interprets the corporate attitude of serving the country and the people, and is committed to being a compassionate, responsible, committed and warm-hearted enterprise. During the Reporting Period, we were recognized by a number of organizations and won the following awards:

Name of award	Awarding body	Awarded entity
Safe and Healthy Caring Businesses in the High-tech Zone	Xi'an High-tech Zone Safety Committee Xi'an High-tech District Emergency Management Bureau	
Donation Certificate	Northwestern University	

STOCK EXCHANGE GUIDELINES

Environmental, Social and Governance Areas, General Disclosures and Key Performance Indicators (KPIs)

Indexes

A. Environmental

Environmental, Social and Governance Areas, General Disclosures and Key Performance Indicators (KPIs)	Indexes
A. Environmental	
A1: Emissions	3.2 Emissions Management
General Disclosure	Information on:
	(a) the policies; and
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
	Note: Exhaust emissions include nitrogen oxides, sulphur oxides and other pollutants regulated by national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous waste refers to those defined by national regulations.
A1.1	The types of emissions and respective emissions Data. 3.2 Emissions Management
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity. 3.2 Emissions Management
A1.3	Total hazardous waste produced and intensity. 3.2 Emissions Management
A1.4	Total non-hazardous waste produced and intensity. 3.2 Emissions Management
A1.5	Description of emissions target(s) set and steps taken to achieve them. 3.1 Environmental Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. 3.1 Environmental Management 3.2 Emissions Management
A2: Use of Resources	3.3 Energy Management 3.4 Use of Resources
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.
	Note: Resources can be used for production, storage, transport, buildings, electronic equipment, etc.
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). 3.3 Energy Management
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility). 3.4 Use of Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them. 3.1 Environmental Management
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. 3.1 Environmental Management 3.4 Use of Resources

► Environmental, Social and Governance Report

Environmental, Social and Governance Areas, General Disclosures and Key Performance Indicators (KPIs)			Indexes
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.4 Use of Resources
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	3.2 Emissions Management 3.3 Energy Management 3.4 Use of Resources
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.4 Use of Resources
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.5 Coping with Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.5 Coping with Climate Change
B. Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Compliant Employment 4.2 Employee Development 4.3 Employee Care
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1 Compliant Employment
	B1.2	Employee turnover rate by gender, age group and geographical region.	4.3 Employee Care
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.4 Employee Health

► Environmental, Social and Governance Report

Environmental, Social and Governance Areas, General Disclosures and Key Performance Indicators (KPIs)			Indexes
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.4 Employee Health
	B2.2	Lost days due to work injury.	4.4 Employee Health
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.4 Employee Health
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2 Employee Development
		Note: Training refers to vocational training and may include internal and external courses paid for by the employer.	
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.2 Employee Development
	B3.2	The average training hours completed per employee by gender and employee category.	4.2 Employee Development
B4: Labour Standards	General Disclosure	Information on:	4.1 Compliant Employment
		(a) the policies; and	
		(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
		relating to preventing child and forced labour.	
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Compliant Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Compliant Employment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	2.3 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	2.3 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	2.3 Supply Chain Management
	B5.3	Description of practices for identifying environmental and social risks for each stage of the supply chain, how they are implemented and monitored.	2.3 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, how they are implemented and monitored.	2.3 Supply Chain Management

► Environmental, Social and Governance Report

Environmental, Social and Governance Areas, General Disclosures and Key Performance Indicators (KPIs)			Indexes	
B6: Product Responsibility	General Disclosure	Information on:	2.1 Product Responsibility	
		(a) the policies; and		
		(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
			relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
		B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.1 Product Responsibility
		B6.2	Number of products and service related complaints received and how they are dealt with.	2.4 Customer Services
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.2 Innovative R&D		
B6.4	Description of quality assurance process and recall procedures.	2.1 Product Responsibility		
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	2.4 Customer Services		
B7: Anti-corruption	General Disclosure	Information on:	1.1 Operational Compliance	
		(a) the policies; and		
		(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
			relating to bribery, extortion, fraud and money laundering.	
		B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.1 Operational Compliance
		B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.1 Operational Compliance
B7.3	Description of the anti-corruption training provided to directors and employees.	1.1 Operational Compliance		
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.1 Industry Events, 5.2 Philanthropy	
		B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.1 Industry Events, 5.2 Philanthropy
		B8.2	Resources contributed (e.g. money or time) to the focus area.	5.2 Philanthropy

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent auditor's report

To the shareholders of Giant Biogene Holding Co., Ltd

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Giant Biogene Holding Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 183, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

► Independent auditor's report

KEY AUDIT MATTERS *(cont'd)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
<ul style="list-style-type: none"> – Online sales through the Group's direct-to-customers store – Sales to distributors 	
<p>The Group recognized revenue of RMB2,364 million for the year ended 31 December 2022, mainly including online sales through the Group's direct-to-customers ("DTC") stores and sales to distributors. The revenue is recognized as follows:</p> <p>i) Online sales through the Group's DTC stores accounted for around 51.3% of the total revenue for the year ended 31 December 2022. We focused on this area due to the risks arising from the large volume of transactions generated from the sale of different products to a significant number of customers online. This area required significant audit attention to test the occurrence of this kind of transactions.</p> <p>ii) Sales to distributors accounted for around 40.7% of the total revenue for the year ended 31 December 2022. We focused on this area due to the risk of revenue being recognized inappropriately close to the year-end.</p> <p>The Group's related disclosures are included in note 2.3 <i>Summary of Significant Accounting Policies – Revenue recognition</i>, note 5 <i>Revenue and other income recognition</i>.</p>	<p>Our procedures in relation to the Revenue recognition of online sales through the Group's DTC stores included:</p> <ul style="list-style-type: none"> • Obtained an understanding of the key controls over the revenue recognition of online sales through the Group's DTC stores and evaluated the design and implementation of these controls; • With the assistance of our IT specialists, we tested the general IT controls and related automated controls of the Group's system; and • With the assistance of our data analytic specialists, we performed following procedures: <ul style="list-style-type: none"> – Data analytical procedures of orders generated from online sales through the Group's DTC stores, such as concentration analysis of orders made by each account user in terms of amounts and quantities during the year and etc. – Reconciliation between the revenue recorded of online sales through the Group's DTC stores and cash collection.

Our procedures in relation to the Revenue recognition of sales to the distributors included:

- Obtained an understanding of the key controls over the revenue recognition of sales to distributors and evaluated the design and implementation of these controls;
- Obtained and checked major financial terms of sales agreements with major distributors, on a sampling basis;
- Performed background search of additional major distributors during the year, on a sampling basis;

► Independent auditor's report

KEY AUDIT MATTERS (cont'd)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
<ul style="list-style-type: none"> – Online sales through the Group's direct-to-customers store – Sales to distributors 	<ul style="list-style-type: none"> • Performed analytical procedures of sales to distributors, such as sales analysis of top 10 distributors by month and etc; • Conducted sales revenue breakdown testing by selecting samples and reviewing relevant supporting documents, such as goods delivered notes and invoices, etc.; • Performed cut-off test of sales to distributors; and • Obtained goods return list subsequent to the year-end to identify any significant sales return incurred subsequently.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

► Independent auditor's report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

► Independent auditor's report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hooi Wan Yee.

Ernst & Young

Certified Public Accountants

Hong Kong

27 March 2023

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
REVENUE	5	2,364,445	1,552,486
Cost of sales		(369,205)	(198,149)
Gross profit		1,995,240	1,354,337
Selling and distribution expenses		(706,370)	(346,211)
Administrative expenses		(111,073)	(72,274)
Research and development costs		(44,043)	(24,954)
Other expense		(704)	(2,954)
Other income	5	68,712	33,155
Other gains or losses, net	6	(23,378)	32,144
Finance cost		(21)	–
Provision for impairment losses on financial assets, net		(614)	(326)
PROFIT BEFORE TAX	7	1,177,749	972,917
Income tax expense	10	(176,163)	(144,785)
PROFIT FOR THE YEAR		1,001,586	828,132
Attributable to:			
Owners of the parent		1,002,025	828,132
Non-controlling interests		(439)	–
		1,001,586	828,132
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,001,586	828,132
Attributable to:			
Owners of the parent:			
Ordinary shareholders of the parent		695,998	808,809
Preferred shareholders of the parent		306,027	19,323
Non-controlling interests		(439)	–
		1,001,586	828,132
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic (RMB yuan)		0.99	0.83
Diluted (RMB yuan)		0.98	0.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	491,421	274,336
Investment properties	14	–	24,170
Other intangible assets	15	6,751	7,598
Right-of-use assets	16	60,233	59,190
Prepayments, other receivables and other assets, non-current	19	40,895	70,240
Deferred tax assets	26	1,190	1,352
Total non-current assets		600,490	436,886
CURRENT ASSETS			
Inventories	17	183,895	89,394
Trade and bills receivables	18	69,420	65,639
Prepayments, other receivables and other assets, current	19	87,496	27,682
Financial assets at fair value through profit or loss ("FVTPL")	20	865,973	155,607
Cash and cash equivalents	21	1,330,951	7,103,000
Total current assets		2,537,735	7,441,322
CURRENT LIABILITIES			
Trade payables	22	54,653	23,612
Other payables and accruals	23	136,399	6,362,837
Tax payable		75,020	71,355
Lease liabilities, current	16	881	–
Dividend payables		–	367,460
Deferred income	25	1,503	1,500
Contract liabilities	24	12,449	16,278
Total current liabilities		280,905	6,843,042
NET CURRENT ASSETS		2,256,830	598,280
TOTAL ASSETS LESS CURRENT LIABILITIES		2,857,320	1,035,166

► Consolidated statement of financial position
31 December 2022

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities, non current	16	1,705	–
Deferred income	25	18,179	17,584
Deferred tax liabilities	26	403	771
Total non-current liabilities		20,287	18,355
Net assets		2,837,033	1,016,811
EQUITY			
Equity attributable to owners of the parent			
Ordinary share capital	27	63	58
Preferred share capital	27	–	23
Treasury shares	27	(1)	(1)
Reserves	28	2,833,410	1,016,731
		2,833,472	1,016,811
Non-controlling interests		3,561	–
Total equity		2,837,033	1,016,811

Executive Director: Yan Jianya

Executive Director: Fang Juan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent							Total equity RMB'000
	Ordinary share capital RMB'000	Preferred share capital RMB'000	Treasury shares RMB'000	Share premium* RMB'000	Surplus reserve* RMB'000	Other reserve* RMB'000	Retained profits* RMB'000	
As at 1 January 2021	-	-	-	-	46,277	103,879	307,847	458,003
Profit and total comprehensive income for the year	-	-	-	-	-	-	828,132	828,132
Effect of the reorganization – deemed distribution (note 28)	-	-	-	-	-	(68,309)	-	(68,309)
Issue of the ordinary share capital	63	-	-	65,629	-	-	-	65,692
Repurchase and cancellation of ordinary share capital	(6)	-	-	-	-	-	-	(6)
Capital contribution from Series A preferred shareholders (note 27)	-	23	-	7,094,087	-	-	-	7,094,110
Contractual obligation for redemption of ordinary shares (note 23)	-	-	-	-	-	(6,359,838)	-	(6,359,838)
Issue of shares for the share incentive plan (note 27)	1	-	(1)	-	-	-	-	-
Recognition of equity-settled share-based payments (note 29)	-	-	-	-	-	16,487	-	16,487
Dividends declared by the subsidiaries to Dr. Fan and Mr. Yan (the "Co-founders")	-	-	-	-	-	-	(1,017,460)	(1,017,460)
As at 31 December 2021	58	23	(1)	7,159,716	46,277	(6,307,781)	118,519	1,016,811

► Consolidated statement of changes in equity
Year ended 31 December 2022

	Attributable to owners of the parent									
	Ordinary share capital	Preferred share capital	Treasury shares	Share premium*	Surplus reserve*	Other reserve*	Retained profits*	Subtotal	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	58	23	(1)	7,159,716	46,277	(6,307,781)	118,519	1,016,811	-	1,016,811
Profit and total comprehensive income for the year	-	-	-	-	-	-	1,002,025	1,002,025	(439)	1,001,586
Transfer from retained profits	-	-	-	-	41,817	-	(41,817)	-	-	-
Capital contribution from Series A preferred shareholders (note 27)	-	1	-	241,890	-	-	-	241,891	-	241,891
Shares issued upon the initial public offering ("IPO") and over-allotment (note 27)	2	-	-	583,503	-	-	-	583,505	-	583,505
Redemption of ordinary shares (note 27)	(21)	-	-	(6,359,817)	-	6,359,838	-	-	-	-
Automatic conversion of Series A preferred shares upon IPO (note 27)	24	(24)	-	-	-	-	-	-	-	-
Transaction costs attributable to issue of new shares	-	-	-	(28,423)	-	-	-	(28,423)	-	(28,423)
Capital injection into a subsidiary by non-controlling interests	-	-	-	-	-	-	-	-	4,000	4,000
Recognition of equity-settled share-based payments (note 29)	-	-	-	-	-	17,663	-	17,663	-	17,663
As at 31 December 2022	63	-	(1)	1,596,869	88,094	69,720	1,078,727	2,833,472	3,561	2,837,033

* These reserve accounts comprise the consolidated reserves of RMB2,833,410,000 (2021: RMB1,016,731,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December 2022

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,177,749	972,917
Adjustments for:			
Finance costs		21	–
Interest income	5	(13,159)	(9,408)
(Reversal of)/provision for impairment of trade and bills receivables	7	(145)	48
Provision for impairment of prepayments, other receivables and other assets	7	759	278
Reversal of impairment of inventories	7	(145)	(130)
Fair value losses/(gains) on financial assets at FVTPL	6	8,281	(14,474)
Depreciation of property, plant and equipment	7	24,008	20,111
Depreciation of investment properties	7	479	1,917
Amortization of other intangible assets	7	1,433	1,314
Depreciation of right-of-use assets	7	1,708	868
Loss on disposal of property, plant and equipment		2,914	355
Gain on disposal of leasehold land		–	(173)
Foreign exchange (losses)/gains, net	6	14,446	(21,606)
Equity-settled share award expenses	7	17,663	16,487
Increase in inventories		(94,356)	(24,608)
Increase in trade and bills receivables		(3,636)	(11,164)
Increase in prepayments and other receivables		(61,746)	(19,327)
Increase/(decrease) in trade payables		31,041	(8,334)
Increase/(decrease) in other payables and accruals		257	(7,948)
Increase/(decrease) in deferred income		598	(1,570)
(Decrease)/increase in contract liabilities		(3,829)	15,105
Cash generated from operations		1,104,341	910,658
Income tax paid		(172,704)	(218,257)
Net cash flows generated from operating activities		931,637	692,401

► Consolidated statements of cash flows
Year ended 31 December 2022

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(152,663)	(74,999)
Proceeds from disposal of leasehold land	–	16,528
Purchase of leasehold land	–	(36,062)
Purchase of financial assets at FVTPL	(2,199,176)	(3,925,113)
Proceeds from disposal of financial assets at FVTPL	1,480,529	5,372,324
Repayment of loans from a related party	–	201,310
Additions to other intangible assets	(586)	(130)
Interest received	13,159	9,408
Net cash flows (used in)/generated from investing activities	(858,737)	1,563,266
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to the Co-founders	(367,460)	(2,550,000)
Capital contribution from series A preferred shareholders	241,891	7,094,110
Issue of ordinary share capital, net	–	57
Proceeds from issuance of ordinary shares upon completion of the initial public offering (“IPO”)	507,799	–
Proceeds from exercise of over-allotment option upon completion of the IPO	75,706	–
Acquisition of interest in subsidiaries under common control	–	(68,309)
Share issue expenses	(15,668)	(314)
Capital injection into a subsidiary by non-controlling interests	4,000	–
Payment of lease liabilities	(186)	–
Redemption of ordinary shares	(6,235,848)	–
Net cash flows (used in)/generated from financing activities	(5,789,766)	4,475,544
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,716,866)	6,731,211
Effect of foreign exchange rate changes	(55,183)	3,984
Cash and cash equivalents at beginning of the year	7,103,000	367,805
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	1,330,951	7,103,000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,330,951	7,103,000

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2022

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").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Notes	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Giant Beauty Holding Co., Ltd	(a)	BVI 30 July 2021	USD 1	100.00%	–	Investment holding
Hongkong Yaxin Holding Co., Ltd	(a)	Hong Kong 17 August 2021	HKD 1	–	100.00%	Investment holding
Giant Biogene Hong Kong Limited	(a)	Hong Kong 18 August 2021	HKD 1	–	100.00%	Investment holding
Xi'an Giant Biogene Technology Co., Ltd* ("Xi'an Giant Biogene") (西安巨子生物基因技術股份有限公司)	(a)	Xi'an, PRC 8 May 2000	RMB328,141,790	–	100.00%	Research and development, manufacturing and sale of functional skincare products
Shaanxi Giant Biotechnology Co., Ltd* ("Shaanxi Giant Biotechnology") (陝西巨子生物技術有限公司)	(a)	Xi'an, PRC 12 March 2009	RMB30,000,000	–	100.00%	Research and development, manufacturing and sale of medical products
Shaanxi Giant Teyi Food Co., Ltd* ("Shaanxi Giant Teyi") (陝西巨子特醫食品有限公司)	(a)	Xi'an, PRC 17 July 2018	RMB30,000,000	–	100.00%	Sale of food

► Notes to financial statements
Year ended 31 December 2022

1. CORPORATE INFORMATION *(cont'd)*

Information about subsidiaries *(cont'd)*

Particulars of the Company's principal subsidiaries are as follows: *(cont'd)*

Name	Notes	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Nanjing Human-like Biological Material Co., Ltd* ("Nanjing Human-like Biological Materials") (南京類人生物材料有限公司)	(a)	Nanjing, PRC 8 May 2015	RMB2,000,000	–	100.00%	Sale of functional skincare products
Hainan Giant Biotechnology Co., Ltd* ("Hainan Giant Biotechnology") (海南巨子生物科技有限公司)	(a)	Wanning, PRC 25 March 2020	RMB10,000,000	–	100.00%	Sale of functional skincare products
Xi'an Giant Medical Device Co., Ltd* ("Xi'an Giant Medical Device") (西安巨子醫療器械有限公司)	(a)	Xi'an, PRC 11 March 2019	RMB30,000,000	–	100.00%	Sale of medical devices
Xi'an Giant Medicine Co., Ltd* ("Xi'an Giant Medicine") (西安巨子醫藥有限公司)	(a)	Xi'an, PRC 19 May 2021	RMB30,000,000	–	100.00%	Sale of functional skincare products
Xi'an Xingan Biotechnology Co., Ltd* ("Xi'an Xingan Biotechnology") (西安欣甘生物技術有限公司)	(a)	Xi'an, PRC 20 March 2018	RMB15,000,000	–	100.00%	Sale of functional skincare products
Xi'an Zizai Yungu Industrial Development Co., Ltd* ("Xi'an Zizai Yungu") (西安自在雲谷實業發展有限公司)	(a)	Xi'an, PRC 12 September 2019	RMB1,000,000	–	100.00%	Sale of functional skincare products
Shaanxi Juyou Xingan Biotechnology Co., Ltd* ("Shaanxi Juyou Xingan") (陝西巨悠欣甘生物科技有限公司)	(a)	Xi'an, PRC 13 July 2022	RMB10,000,000	–	60.00%	Sale of food and functional skincare products

Note:

- * The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

- ▶ Notes to financial statements
Year ended 31 December 2022

2.1 BASIS OF PRESENTATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

- (a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and none of them was onerous. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

- Notes to financial statements
Year ended 31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (cont'd)

(d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

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

Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback³</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IFRS 17	<i>Insurance Contracts^{2, 4}</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information⁵</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current^{3, 6}</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants³</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>

¹ No mandatory effective date yet determined but available for adoption

² Effective for annual periods beginning on or after 1 January 2023

³ Effective for annual periods beginning on or after 1 January 2024

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

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

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

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

- Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

- ▶ Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous financial year end or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, and costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using the merger accounting are recognized as an expense in the year in which they are incurred.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Business combinations and goodwill *(cont'd)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

- ▶ Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Fair value measurement

The Group measures its financial products at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

- Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Related parties *(cont'd)*

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Annual rates
Buildings	4.75% – 9.50%
Leasehold improvement	9.50% – 31.67%
Plant and machinery	9.50% – 19.00%
Motor vehicles	19.00%
Furniture, fixtures and equipment	19.00% – 31.67%

- ▶ Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment and depreciation (cont'd)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end reporting period.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and leasehold improvements under construction and machineries under installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the year of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life of 20 years.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

- ▶ Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Intangible assets (other than goodwill) *(cont'd)*

Intangible assets are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Categories	Estimated useful lives
Software	3-10 years
Patent	20 years

Software

Acquired software is capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over its estimated useful life of 3 to 10 years, based on estimated useful life, considering the technology updates in the market and the development stage of the Group.

Patent

Purchased patent is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 20 years, based on the validity term of 20 years.

Research and development costs

All research costs are charged to the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Categories	Estimated useful lives
Leasehold land	50 years
Plant and office premises	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

- ▶ Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Leases *(cont'd)*

Group as a lessee *(cont'd)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of offices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

- Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments and other financial assets (cont'd)

Initial recognition and measurement (cont'd)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

- ▶ Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments and other financial assets *(cont'd)*

Derecognition of financial assets (cont'd)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments and other financial assets *(cont'd)*

Impairment of financial assets (cont'd)

General approach (cont'd)

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables (including contractual obligation for redemption of ordinary shares), as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and other payables (including contractual obligation for redemption of ordinary shares). As the redemption contract contains an obligation of the Group to repurchase its own equity instrument for cash, the contractual obligation for redemption of ordinary shares is recognized initially with present value of the redemption amount.

- ▶ Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities (cont'd)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost (payables, including contractual obligation for redemption of ordinary shares)

After initial recognition, payables (including contractual obligation for redemption of ordinary shares), are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

- ▶ Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Income tax *(cont'd)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

- Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition (cont'd)

Revenue from contracts with customers (cont'd)

Sale of goods

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on customers' acceptance of the products upon delivery, or upon customers' online confirmation.

Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognized when the shareholders' right to receive the payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

- ▶ Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Share-based payments

The Company operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of share awards is determined using the market approach. Further details are included in note 29 to the consolidated financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Social pension plans

The Group has social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligations beyond the contributions made.

- Notes to financial statements
Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other employee benefits (cont'd)

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The consolidated financial statements is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

- ▶ Notes to financial statements
Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

Variable consideration for volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of products with volume rebates.

The Group's expected volume rebates are analyzed on a per customer basis for contracts that are subject to the volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group updates its assessment of expected volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of actual rebate entitlements in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Provision for expected credit losses of trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for the customer.

The provision matrix is initially based on the market historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of the reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 18 to the consolidated financial statements.

- Notes to financial statements
Year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(cont'd)*

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value measurements of equity settled share-based payments

Estimating the fair value of equity settled share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the shares or share options, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of equity settled share-based payment transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 29 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

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

- Notes to financial statements
Year ended 31 December 2022

5. REVENUE AND OTHER INCOME

Revenue

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(a) Disaggregated revenue information

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

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

(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.

- Notes to financial statements
Year ended 31 December 2022

5. REVENUE AND OTHER INCOME (cont'd)

Other income

An analysis of other income is as follows:

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

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

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

6. OTHER GAINS OR LOSSES, NET

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

- Notes to financial statements
Year ended 31 December 2022

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Cost of inventories, consumables and customized products		264,463	143,878
Depreciation of property, plant and equipment	13	24,008	20,111
Depreciation of investment properties	14	479	1,917
Depreciation of right-of-use assets	16	1,708	868
Amortization of intangible assets	15	1,433	1,314
(Reversal of)/provision for impairment of trade and bills receivables	18	(145)	48
Provision for impairment of prepayments, other receivables and other assets		759	278
Government grants	5	(44,871)	(20,770)
Marketing and promotion expenses		672,309	329,476
Bank interest income	5	(13,159)	(9,408)
Foreign exchange losses/(gains), net	6	14,446	(21,606)
Reversal of impairment of inventories		(145)	(130)
Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):			
– Wages, salaries and allowances		75,777	43,945
– Pension scheme contributions, social welfare and other welfare		18,264	11,151
– Equity-settled share award expense (note 29)		17,663	16,487
Other outsourcing labor costs		7,725	2,359
Auditor's remuneration		1,874	–
Listing expenses		37,111	6,647

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

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

- Notes to financial statements
Year ended 31 December 2022

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Fees:	33	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	2,156	2,005
Pension scheme contributions	237	216
Equity-settled share award expense	11,735	10,878
	14,128	13,099
	14,161	13,099

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Mr. Huang Jin (a)	9	–
Mr. Shan Wenhua (a)	9	–
Ms. Wong Sze Wing (a)	15	–
	33	–

- Notes to financial statements
Year ended 31 December 2022

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (cont'd)

(b) Executive directors, non-executive directors and the chief executive

	Salaries, bonus, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
Year ended 31 December 2022				
Executive directors				
Dr. Fan Daidi (b)	–	–	–	–
Mr. Yan Jianya (c)	600	79	9,715	10,394
Ms. Ye Juan (d)	777	79	868	1,724
Ms. Fang Juan (e)	779	79	1,152	2,010
Non-executive directors				
Mr. Chen Jinhao (f)	–	–	–	–
Total	2,156	237	11,735	14,128
Year ended 31 December 2021				
Executive directors				
Dr. Fan Daidi (b)	–	–	–	–
Mr. Yan Jianya (c)	600	72	8,939	9,611
Ms. Ye Juan (d)	701	72	831	1,604
Ms. Fang Juan (e)	704	72	1,108	1,884
Non-executive directors				
Mr. Chen Jinhao (f)	–	–	–	–
Total	2,005	216	10,878	13,099

► Notes to financial statements
Year ended 31 December 2022

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (cont'd)

(b) Executive directors, non-executive directors and the chief executive (cont'd)

- (a) Mr. Huang Jin, Mr. Shan Wenhua and Ms. Wong Sze Wing were appointed as independent non-executive directors on 21 April 2022.
- (b) Dr. Fan Daidi is one of the Co-founders and joined the Group in May 2000. She was appointed as a director on 28 July 2021 and was re-designated as an executive director and the chief scientific officer of the Company on 21 April 2022.
- (c) Mr. Yan Jianya is one of the Co-founders and joined the Group in May 2000. He was appointed as a director on 30 November 2021 and was re-designated as an executive director, the chairman of the board and the chief executive officer of the Company on 21 April 2022.
- (d) Ms. Ye Juan was appointed as a director on 30 November 2021 and was re-designated as an executive director and a senior vice president of the Company on 21 April 2022.
- (e) Ms. Fang Juan was appointed as a director on 30 November 2021 and was re-designated as an executive director and a senior vice president of the Company on 21 April 2022.
- (f) Mr. Chen Jinhao was appointed as a director on 30 November 2021 and was re-designated as a non-executive director on 21 April 2022.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

During the year, three directors (2021: three directors) were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the consolidated financial statements. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2021: three), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, bonuses, allowances and benefits in kind	1,555	1,036
Pension scheme contributions	189	175
Equity-settled share award expense	1,051	1,136
	2,795	2,347

- Notes to financial statements
Year ended 31 December 2022

9. FIVE HIGHEST PAID EMPLOYEES (cont'd)

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Nil to HKD1,000,000	1	1
HKD1,500,001 to HKD2,000,000	1	1
	2	2

During the year and in prior years, shares were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29. The fair value of such awarded shares, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the consolidated financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

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

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

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

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

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

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current tax: Charge for the year	176,369	145,378
Deferred tax (note 26)	(206)	(593)
Total tax charge for the year	176,163	144,785

- Notes to financial statements
Year ended 31 December 2022

10. INCOME TAX (cont'd)

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

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2021: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent for the year ended and the weighted average number of ordinary shares of 703,129,563 (2021: 974,794,521) which assumed to be in issue after taking into account the retrospective adjustment of the share subdivision as disclosed in note 27.

The calculation of the diluted earnings per share amounts in 2021 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the earning attributable to preferred shareholders of the parent and earning attributable to non-controlling interests upon exercise of shares under the Share option scheme as disclosed in note 29. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during 2021, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of options under the Modified Plan as disclosed in note 29, as well as on the conversion of Series A preferred shares.

The calculation of the diluted earnings per share amounts in 2022 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the earning attributable to preferred shareholders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of options under the Modified Plan as disclosed in note 29, as well as on the conversion of Series A preferred shares.

- Notes to financial statements
Year ended 31 December 2022

12. 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:

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

- Notes to financial statements
Year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
As at 1 January 2022:							
Cost	184,609	1,862	56,610	6,508	6,160	81,576	337,325
Accumulated depreciation	(39,668)	(186)	(17,564)	(2,101)	(3,470)	-	(62,989)
Net carrying amount	144,941	1,676	39,046	4,407	2,690	81,576	274,336
As at 1 January 2022, net of accumulated depreciation	144,941	1,676	39,046	4,407	2,690	81,576	274,336
Additions	6,461	3,694	7,367	4,480	156	198,158	220,316
Disposals	-	-	(2,914)	-	-	-	(2,914)
Transfers	7,191	-	28,099	-	-	(35,290)	-
Transfer from investment property	23,691	-	-	-	-	-	23,691
Depreciation provided during the year	(14,571)	(312)	(5,790)	(2,451)	(884)	-	(24,008)
As at 31 December 2022, net of accumulated depreciation	167,713	5,058	65,808	6,436	1,962	244,444	491,421
As at 31 December 2022:							
Cost	225,786	5,556	87,337	10,964	6,316	244,444	580,403
Accumulated depreciation	(58,073)	(498)	(21,529)	(4,528)	(4,354)	-	(88,982)
Net carrying amount	167,713	5,058	65,808	6,436	1,962	244,444	491,421

- Notes to financial statements
Year ended 31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021							
As at 1 January 2021:							
Cost	171,540	1,862	50,327	2,701	6,482	50,886	283,798
Accumulated depreciation	(27,103)	-	(12,335)	(1,020)	(2,977)	-	(43,435)
Net carrying amount	144,437	1,862	37,992	1,681	3,505	50,886	240,363
As at 1 January 2021, net of accumulated depreciation							
Additions	13,069	-	2,111	2,645	118	36,496	54,439
Disposals	-	-	(257)	(76)	(22)	-	(355)
Transfers	-	-	4,562	1,244	-	(5,806)	-
Depreciation provided during the year	(12,565)	(186)	(5,362)	(1,087)	(911)	-	(20,111)
As at 31 December 2021, net of accumulated depreciation	144,941	1,676	39,046	4,407	2,690	81,576	274,336
As at 31 December 2021:							
Cost	184,609	1,862	56,610	6,508	6,160	81,576	337,325
Accumulated depreciation	(39,668)	(186)	(17,564)	(2,101)	(3,470)	-	(62,989)
Net carrying amount	144,941	1,676	39,046	4,407	2,690	81,576	274,336

14. INVESTMENT PROPERTIES

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
As at 1 January:		
Cost	27,526	27,526
Accumulated depreciation	(3,356)	(1,439)
Net carrying amount	24,170	26,087
Cost as at 1 January, net of accumulated depreciation		
Depreciation provided during the year	(479)	(1,917)
Transfer to property, plant and equipment	(23,691)	-
Carrying amount at 31 December	-	24,170
As at 31 December:		
Cost	-	27,526
Accumulated depreciation	-	(3,356)
Net carrying amount	-	24,170

- Notes to financial statements
Year ended 31 December 2022

15. OTHER INTANGIBLE ASSETS

	Software RMB'000	Patent RMB'000	Total RMB'000
31 December 2022			
As at 1 January 2022:			
Cost	1,347	16,000	17,347
Accumulated amortization	(530)	(9,219)	(9,749)
Net carrying amount	817	6,781	7,598
Cost at 1 January 2022, net of accumulated amortization			
	817	6,781	7,598
Additions	586	–	586
Amortization provided during the year	(389)	(1,044)	(1,433)
As at 31 December 2022, net of accumulated amortization	1,014	5,737	6,751
As at 31 December 2022:			
Cost	1,933	16,000	17,933
Accumulated amortization	(919)	(10,263)	(11,182)
Net carrying amount	1,014	5,737	6,751
31 December 2021			
As at 1 January 2021:			
Cost	1,217	16,000	17,217
Accumulated amortization	(260)	(8,175)	(8,435)
Net carrying amount	957	7,825	8,782
Cost at 1 January 2021, net of accumulated amortization			
	957	7,825	8,782
Additions	130	–	130
Amortization provided during the year	(270)	(1,044)	(1,314)
As at 31 December 2021, net of accumulated amortization	817	6,781	7,598
As at 31 December 2021:			
Cost	1,347	16,000	17,347
Accumulated amortization	(530)	(9,219)	(9,749)
Net carrying amount	817	6,781	7,598

- Notes to financial statements
Year ended 31 December 2022

16. RIGHT-OF-USE ASSETS

The Group as a lessee

The Group has lease contracts for land and office premises used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises generally have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the year are as follows:

	Year ended 31 December		
	Leasehold land RMB'000	Office premises RMB'000	Total RMB'000
As at 1 January 2021	40,351	–	40,351
Additions	36,062	–	36,062
Disposal	(16,355)	–	(16,355)
Depreciation charge	(868)	–	(868)
As at 31 December 2021	59,190	–	59,190
As at 1 January 2022	59,190	–	59,190
Additions	–	2,751	2,751
Depreciation charge	(1,555)	(153)	(1,708)
As at 31 December 2022	57,635	2,598	60,233

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	–	–
New leases	2,751	–
Accretion of interest recognized during the year	21	–
Payments	(186)	–
Carrying amount at 31 December	2,586	–
Analyzed into:		
Current portion	881	–
Non-current portion	1,705	–
	2,586	–

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

- Notes to financial statements
Year ended 31 December 2022

16. RIGHT-OF-USE ASSETS (cont'd)

The Group as a lessee (cont'd)

(c) The amounts recognized in profit or loss in relation to leases are follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	21	–
Depreciation charge of right-of-use assets	1,708	868
Expense relating to short-term leases (included in administrative expenses and selling and distribution expenses)	568	–
Total amount recognized in profit or loss	2,297	868

(d) The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

The Group as a lessor

The Group leased part of its buildings in Xi'an, the PRC under an operating lease arrangement. The terms of the lease provide for periodic rent adjustments according to the then prevailing market conditions.

Rental income recognized by the Group during the year was RMB1,042,000 (2021: RMB2,977,000).

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Within one year	–	805
	–	805

17. INVENTORIES

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

- Notes to financial statements
Year ended 31 December 2022

18. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

- Notes to financial statements
Year ended 31 December 2022

18. TRADE AND BILLS RECEIVABLES (cont'd)

The movements in the loss allowance for impairment of trade receivables are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of year	744	696
Impairment losses, net (note 7)	(145)	48
At end of year	599	744

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the ageing of receivables of the customer. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Ageing				Total
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Trade receivables (RMB'000)	68,124	1,350	340	205	70,019
Expected credit loss rate	0.36%	15.10%	21.17%	37.86%	0.86%
Expected credit losses (RMB'000)	(245)	(204)	(72)	(78)	(599)

As at 31 December 2021

	Ageing				Total
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Trade receivables (RMB'000)	64,830	673	357	523	66,383
Expected credit loss rate	0.47%	14.97%	23.81%	48.45%	1.12%
Expected credit losses (RMB'000)	(305)	(101)	(85)	(253)	(744)

- Notes to financial statements
Year ended 31 December 2022

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

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

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

20. FINANCIAL ASSETS AT FVTPL

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

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

- Notes to financial statements
Year ended 31 December 2022

21. CASH AND CASH EQUIVALENTS

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

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

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

22. TRADE PAYABLES

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

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

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

- Notes to financial statements
Year ended 31 December 2022

23. OTHER PAYABLES AND ACCRUALS

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

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

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

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

24. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

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

- Notes to financial statements
Year ended 31 December 2022

25. DEFERRED INCOME

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Government grants:		
Current	1,503	1,500
Non-current	18,179	17,584
	19,682	19,084

The Group's deferred income mainly represented government grants related to 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 upon the compliance of the Group with the conditions attached to the grants and the government acknowledgement of acceptance.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Fair value loss on financial assets RMB'000	Assets impairment provision RMB'000	Deferred income RMB'000	Advertisement expenses RMB'000	Total RMB'000
At 1 January 2022	375	580	2,858	-	3,813
Deferred tax credited/(charged) to the statement of profit or loss during the year	1,500	(96)	90	1,742	3,236
Gross deferred tax assets at 31 December 2022	1,875	484	2,948	1,742	7,049

Deferred tax liabilities

	Fair value gains on financial assets RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At 1 January 2022	81	3,151	3,232
Deferred tax (credited)/charged to the statement of profit or loss during the year	(71)	3,101	3,030
Gross deferred tax liabilities at 31 December 2022	10	6,252	6,262

- Notes to financial statements
Year ended 31 December 2022

26. DEFERRED TAX (cont'd)

Deferred tax assets

	Fair value loss on financial assets RMB'000	Assets impairment provision RMB'000	Deferred income RMB'000	Total RMB'000
At 1 January 2021	92	378	3,097	3,567
Deferred tax credited/(charged) to the statement of profit or loss during the year	283	202	(239)	246
Gross deferred tax assets at 31 December 2021	375	580	2,858	3,813

Deferred tax liabilities

	Fair value gains on financial assets RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At 1 January 2021	422	3,157	3,579
Deferred tax credit to the statement of profit or loss during the year	(341)	(6)	(347)
Gross deferred tax liabilities at 31 December 2021	81	3,151	3,232

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. The Group completed reorganization in October 2021 and as at 31 December 2021 and 31 December 2022, deferred taxation has not been provided for in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to RMB180,746,000 and RMB1,158,701,000, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

- Notes to financial statements
Year ended 31 December 2022

26. DEFERRED TAX (cont'd)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognized in the consolidated statement of financial position	1,190	1,352
Net deferred tax liabilities recognized in the consolidated statement of financial position	(403)	(771)
	787	581

As at end of 31 December 2022 and 2021, deferred tax assets that have not been recognized in respect of tax losses of RMB5,070,000 and RMB2,298,000 arising in Mainland China, respectively, which will expire in one to five years for offsetting against future taxable profits.

27. SHARE CAPITAL/PREFERRED SHARES/TREASURY SHARES

Ordinary share capital

	2022 RMB'000	2021 RMB'000
Issued and fully paid 995,000,000 (2021: 919,000,000) ordinary shares of USD0.00001	63	58

A summary of movements in the Company's ordinary share capital is as follows:

	Number of shares	Nominal value of shares RMB'000
Ordinary shares		
As at 28 July 2021 (date of incorporation) ordinary shares of USD0.0001 each (note (a))	100,000,000	63
Share subdivision of ordinary shares of USD0.0001 each to USD0.00001 each (note (b))	900,000,000	–
Redemption and cancellation of ordinary shares (note (c))	(100,000,000)	(6)
Ordinary shares issued for the share incentive plan (note (d))	19,000,000	1
As at 31 December 2021 and 1 January 2022	919,000,000	58
Ordinary shares repurchased and cancelled (note (e))	(317,995,065)	(21)
Ordinary shares issued upon IPO and exercise of over-allotment option (note (g))	26,000,000	2
Automatic conversion of Series A preferred shares into ordinary shares upon IPO	367,995,065	24
As at 31 December 2022	995,000,000	63

- Notes to financial statements
Year ended 31 December 2022

27. SHARE CAPITAL/PREFERRED SHARES/TREASURY SHARES (cont'd)

Ordinary share capital (cont'd)

A summary of movements in the Company's preferred share capital is as follows:

	Number of shares	Nominal value of shares RMB'000
Preferred shares		
As at 28 July 2021 (date of incorporation)	–	–
Series A-1 preferred shares issued (note (f))	48,356,500	3
Series A-2 preferred shares issued (note (f))	307,545,102	20
As at 31 December 2021 and 1 January 2022	355,901,602	23
Series A-1 preferred shares issued (note (f))	1,643,500	–
Series A-2 preferred shares issued (note (f))	10,449,963	1
Automatic conversion of Series A preferred shares upon IPO (note (g))	(367,995,065)	(24)
As at 31 December 2022	–	–

Treasury shares

A summary of movements in the Company's treasury shares is as follows:

	Number of shares	RMB'000
Treasury shares		
As at 28 July 2021 (date of incorporation)	–	–
Ordinary shares issued for the share incentive plan	19,000,000	1
As at 31 December 2022 and 2021	19,000,000	1

Notes:

- (a) On 28 July 2021, the Company was incorporated in the Cayman Islands with initial authorized share capital of USD50,000 divided into 500,000,000 shares with a par value of USD0.0001 each. Upon incorporation, the Company allotted and issued 100,000,000 ordinary shares.
- (b) On 30 September 2021, pursuant to a shareholders' resolution, the Company conducted a share subdivision, and the issued share capital was subdivided from 100,000,000 ordinary shares of a par value of USD0.0001 each to 1,000,000,000 ordinary shares of a par value of USD0.00001 each.
- (c) On 30 September 2021, pursuant to a shareholders' resolution, the Company repurchased and cancelled 100,000,000 ordinary shares at par value of USD0.00001 each.
- (d) On 8 December 2021, the Company allotted and issued 19,000,000 ordinary shares to GBEET Holding Limited, a limited liability company incorporated in the BVI as a platform holding the underlying equity settled share-based payments incentive plan.
- (e) Pursuant to the share redemption agreement, in February 2022, the Company redeemed and cancelled 317,995,065 ordinary shares from Juzi Holding Co., Ltd at a price of RMB20 per share which was settled in USD.

► Notes to financial statements
Year ended 31 December 2022

27. SHARE CAPITAL/PREFERRED SHARES/TREASURY SHARES *(cont'd)*

Treasury shares *(cont'd)*

Notes: *(cont'd)*

- (f) On 14 October 2021, the Company together with the then shareholders and the pre-IPO investors entered into i) the Series A preferred share subscription agreements, as supplemented by two agreements dated 18 October 2021 and 4 November 2021 (together as the "Series A preferred share agreements"), and ii) the share redemption agreement regarding the ordinary shares ultimately held by the Co-founders.

Pursuant to the Series A preferred share subscription agreements, the Series A preferred shares was allocated and issued at a price of RMB20 per share which was settled in USD. As at 31 December 2021, the Company authorized and issued 355,901,602 Series A preferred shares with the total consideration of RMB7,094,090,000 and in January 2022, the Company authorized and issued additional 12,093,463 Series A shares with the total consideration of RMB241,891,000.

- (g) Upon the Company's completion of IPO in November 2022, (a) all Preferred Shares were automatically converted into ordinary shares of the Company on a 1:1 basis and; (b) 22,608,800 ordinary shares of par value US\$0.00001 each were issued at a price of HK\$24.30 per share. The proceeds of HK\$2,261 (equivalent to RMB2,090), representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$539,392,000 (equivalent to RMB507,797,000) before issuing expenses were credited to share premium account; and (c) 3,391,200 over-allotment ordinary shares of par value US\$0.00001 each were issued at a price of HK\$24.30 per share. The proceeds of HK\$339 (equivalent to RMB312), representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$82,406,000 (equivalent to RMB75,706,000) before issuing expenses were credited to share premium account.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of change in equity on pages 117 to 118 of the financial statements.

Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

Other reserve

Other reserve mainly includes: a) reserve resulted from the Group reorganization – deemed distribution (note); b) reserve related to the redemption of ordinary shares and c) reserve related to the recognition of equity-settled share-based payments.

Note:

The Group paid RMB68,309,000 to acquire 100% equity interest of Xi'an Giant Biogene and this amount was recorded in other reserve.

Surplus reserve

In accordance with the Company Law of the PRC, subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their statutory surplus reserve until the reserve reaches 50% of their registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

- ▶ Notes to financial statements
Year ended 31 December 2022

29. EQUITY SETTLED SHARE-BASED PAYMENTS

Prior to the reorganization, in order to promote the Group's development in the long run and attract and retain senior management team and core talents, Xi'an Giant Biogene, the onshore holding company of the Group adopted an equity incentive plan (the "Original Plan") in December 2020. In December 2020, Xi'an Giant Biogene granted a 0.9802% equity interest under the Original Plan with a 5-year vesting period to Mr. Yan Jianya and 78 selected employees of the Group for a consideration of RMB45,000,000 in total through Giant Investment LP I and Giant Investment LP II (each with a 0.4901% equity interest of a consideration of RMB22,500,000).

In December 2021, following the completion of the reorganization, the board of directors of the Company passed a resolution to replace the Original Plan with a modified equity incentive plan (the "Modified Plan"). Under the Modified Plan, the granted outstanding shares and selected employees remained unchanged. The Company granted a total number of 9,423,998 options with an exercise price of RMB4.74 per option to the participants under the Original Plan. The service condition modified to 5 equal tranches upon every 12 months following the grant date of the Original Plan, in addition, none of the options shall be vested within six months following the listing date.

The fair value of the Modified Plan was remeasured at the date of modification and the Group recognized the difference of fair values between the Original Plan and the Modified Plan as the corresponding share-based compensation in profit or loss over the modified vesting periods.

In September 2022, the Company granted the remaining 9,645,669 options under the Modified Plan to participants with an exercise price of RMB20.00 per option. The granted options will be vested in 5 equal tranches upon every 12 months following the date of grant, in addition, none of the options shall be vested within six months following the listing date.

The Group recognized share-based compensation expenses of RMB17,663,000 during the year ended 31 December 2022 (2021: RMB16,487,000).

The following table discloses details of the movements of the outstanding shares options during the year:

	Original Plan Shares No. of shares	Modified Plan options No. of options
As at 1 January 2021	300,000	–
Forfeited during the year	(2,400)	–
Replaced during the year	(297,600)	–
Granted during the year	–	9,423,998
As at 31 December 2021 and 1 January 2022	–	9,423,998
Forfeited during the year	–	(69,667)
Granted during the year	–	9,645,669
As at 31 December 2022	–	19,000,000

- Notes to financial statements
Year ended 31 December 2022

29. EQUITY SETTLED SHARE-BASED PAYMENTS (cont'd)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2022

Number of options '000	Exercise price RMB'000	Exercise period
9,354,331	4.74	5-05-2023 to 21-12-2025
9,645,669	20.00	26-09-2023 to 26-09-2027
19,000,000		

2021

Number of options '000	Exercise price RMB'000	Exercise period
9,423,998	4.74	5-05-2023 to 21-12-2025

The fair values of the shares under the Original Plan at the grant date and the date of modification were RMB128,087,000 and RMB159,642,000, respectively.

The fair value of the options under the Modified Plan at the date of modification was RMB120,230,000.

The fair value of the options granted during the year was RMB21.

The fair values of the Original Plan at both grant date and modification date were determined using the Discounted cashflow model. The fair values of the Modified Plan and the fair value of options granted during the year, were estimated as at the date of modification and the date of grant using the Binomial model, respectively. The fair values and corresponding inputs into the model were as follows:

	Original Plan	
	At grant date	At date of modification
Discount rate	18.00%	17.00%
Terminal growth rate	3.00%	2.30%
DLOM	25.00%	14.00%

- Notes to financial statements
Year ended 31 December 2022

29. EQUITY SETTLED SHARE-BASED PAYMENTS *(cont'd)*

	Modified Plan	
	Batch 1	Batch 2
Option fair value per share (RMB)	12.76	21.00
Share price (RMB)	16.94	22.46
Exercise price (RMB)	4.74	20.00
Dividend yield (%)	–	–
Volatility (%)	46.45%	46.45%
Risk-free interest rate (%)	2.46%	2.72%
Expected life of options (years)	6.50	5.00
Expected listing date	2022/12/31	2022/11/4

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,751,000 (2021: Nil) and RMB2,751,000 (2021: Nil), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

- Notes to financial statements
Year ended 31 December 2022

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (cont'd)

(b) Changes in liabilities arising from financing activities (cont'd)

	Dividend payable RMB'000	Lease liabilities RMB'000	Contractual obligation for redemption of ordinary shares RMB'000
As at 1 January 2021	1,900,000	–	–
Changes from financing cash flows			
– Dividends paid to the Co-founders	(2,550,000)	–	–
Dividends declared	1,017,460	–	–
Contractual obligation of share redemption	–	–	6,276,587
As at 31 December 2021 and 1 January 2022	367,460	–	6,276,587
Changes from financing cash flows			
– Dividends paid to the Co-founders	(367,460)	–	–
– Amount paid in relation to share redemption	–	–	(6,235,848)
– Amount paid in relation to lease liabilities	–	(186)	–
Exchange adjustment	–	–	(40,739)
New leases	–	2,751	–
Accretion of interest	–	21	–
As at 31 December 2022	–	2,586	–

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	568	–
Within financing activities	186	–
	754	–

- Notes to financial statements
Year ended 31 December 2022

31. COMMITMENTS

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

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

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

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

32. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Mr. Yan Jianya	The controlling shareholder, executive director, chairman of the board and chief executive officer of the Company
Shaanxi Bomiaorui Technology Co., Ltd	Mr. Yan Jianya serves as an executive director of the enterprise

(b) Related party transactions

The Group had the following material transactions with a related party for the current reporting period:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Repayment of loans from a related party		
Shaanxi Bomiaorui Technology Co., Ltd	—	201,310

- Notes to financial statements
Year ended 31 December 2022

32. RELATED PARTY TRANSACTIONS (cont'd)

(c) Compensation of key management personnel of the Group

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, bonuses, allowances and benefits in kind	3,885	2,710
Pension scheme contributions	396	289
Equity-settled share award expense	12,823	11,793
	17,104	14,792

Further details of directors' and the chief executive's remuneration are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting period are as follows:

As at 31 December 2022

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	865,973	–	865,973
Financial assets included in prepayments, other receivables and other assets	–	18,590	18,590
Trade receivables	–	55,698	55,698
Bills receivable	–	13,722	13,722
Cash and cash equivalents	–	1,330,951	1,330,951
	865,973	1,418,961	2,284,934

	Financial liabilities at amortized cost RMB'000
Trade payables	54,653
Financial liabilities included in other payables and accruals	89,677
	144,330

- Notes to financial statements
Year ended 31 December 2022

33. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

As at 31 December 2021

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	155,607	–	155,607
Financial assets included in prepayments, other receivables and other assets	–	3,977	3,977
Trade receivables	–	65,639	65,639
Cash and cash equivalents	–	7,103,000	7,103,000
	155,607	7,172,616	7,328,223

	Financial liabilities at amortized cost RMB'000
Trade payables	23,612
Dividend payables	367,460
Financial liabilities included in other payables and accruals	6,328,171
	6,719,243

34. 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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
As at 31 December				
Financial assets at fair value through profit or loss	865,973	155,607	865,973	155,607

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and dividend payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

- Notes to financial statements
Year ended 31 December 2022

34. 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 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

As at 31 December 2021

	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	–	155,607	–	155,607

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 year, 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.

- Notes to financial statements
Year ended 31 December 2022

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and financial assets at FVTPL. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarized below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in USD and HKD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2022			
If RMB weakens against USD	5	337	337
If RMB strengthens against USD	(5)	(337)	(337)
If RMB weakens against HKD	5	27,626	27,626
If RMB strengthens against HKD	(5)	(27,626)	(27,626)
2021			
If RMB weakens against USD	5	351,593	351,593
If RMB strengthens against USD	(5)	(351,593)	(351,593)

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade and bills receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

- Notes to financial statements
Year ended 31 December 2022

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables	-	-	-	56,247	56,247
Bills receivable	13,772	-	-	-	13,772
Financial assets included in prepayments, other receivables and other assets	21,312	-	-	-	21,312
Cash and cash equivalents	1,330,951	-	-	-	1,330,951
	1,366,035	-	-	56,247	1,422,282

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables	-	-	-	66,383	66,383
Financial assets included in prepayments, other receivables and other assets	4,879	-	-	-	4,879
Cash and cash equivalents	7,103,000	-	-	-	7,103,000
	7,107,879	-	-	66,383	7,174,262

As at the end of the reporting period, the Group had certain concentrations of credit risk as the Group's cash and cash equivalents were deposited in few financial institutions. As at the end of the reporting period, cash and cash equivalents were deposited in financial institutions of high quality without significant credit risk.

As at the end of the reporting period, the Group had certain concentrations of credit risk as 0% (2021:44%) of the Group's trade receivables were due from the Group's largest customer Chuangkecun, respectively. The Group does not hold any collateral or other credit enhancement for the balance of accounts receivable.

- Notes to financial statements
Year ended 31 December 2022

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity risk

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

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of each of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2022			
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	–	54,653	–	54,653
Lease liabilities	–	881	2,763	3,644
Financial liabilities included in other payables and accruals	–	89,677	–	89,677
	–	145,211	2,763	147,974

	As at 31 December 2021			
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	–	23,612	–	23,612
Dividend payables	367,460	–	–	367,460
Financial liabilities included in other payables and accruals	–	6,328,171	–	6,328,171
	367,460	6,351,783	–	6,719,243

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's abilities to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of the reporting periods.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Total debt	–	–
Equity attributable to owners of the parent	2,833,472	1,016,811
Gearing ratio	0%	0%

- Notes to financial statements
Year ended 31 December 2022

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	1,081,270	638,625
Total non-current assets	1,081,270	638,625
CURRENT ASSETS		
Prepayments, other receivables and other assets, current	1,061	1,173
Cash and cash equivalents	552,552	6,460,381
Total current assets	553,613	6,461,554
CURRENT LIABILITIES		
Amounts due to related parties	56,311	6,284,408
Total current liabilities	56,311	6,284,408
NET CURRENT ASSETS	497,302	177,146
TOTAL ASSETS LESS CURRENT LIABILITIES	1,578,572	815,771
Net assets	1,578,572	815,771
EQUITY		
Ordinary share capital	63	58
Preferred share capital	–	23
Treasury shares	(1)	(1)
Reserves (note)	1,578,510	815,691
Total equity	1,578,572	815,771

Executive Director: Yan Jianya

Executive Director: Fang Juan

- Notes to financial statements
Year ended 31 December 2022

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (cont'd)

Note:

A summary of the Company's reserve is as follows:

	Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2021	-	-	-	-
Profit and total comprehensive income for the year	-	-	14,759	14,759
Issue of the ordinary share capital	65,629	-	-	65,629
Contractual obligation for redemption of ordinary shares	-	(6,359,838)	-	(6,359,838)
Deemed investment to the subsidiary	-	1,054	-	1,054
Capital contribution from Series A preferred shareholders	7,094,087	-	-	7,094,087
As at 31 December 2021 and 1 January 2022	7,159,716	(6,358,784)	14,759	815,691
Loss and total comprehensive income for the year	-	-	(51,835)	(51,835)
Capital contribution from Series A preferred shareholders	241,890	-	-	241,890
Shares issued upon IPO and over-allotment	583,503	-	-	583,503
Redemption of ordinary shares	(6,359,817)	6,359,838	-	21
Transaction costs attributable to issue of new shares	(28,423)	-	-	(28,423)
Deemed investment to the subsidiary	-	17,663	-	17,663
As at 31 December 2022	1,596,869	18,717	(37,076)	1,578,510

37. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board on 27 March 2023.

DEFINITIONS

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

“AFRC”	Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company, conditionally adopted on 11 October 2022 with effect from the Listing Date, and as amended from time to time
“Board” or “Board of Directors”	the board of Directors of our Company
“Business day” or “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
“RSU Scheme”	the restricted share unit scheme as approved by the Company on 8 December 2021
“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)
“Share(s)”	the ordinary share(s) in the share capital of the Company with a par value of US\$0.001 each
“HK\$” or “HK dollars”	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 Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“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

▶ Definitions

“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“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
“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 annual report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as approved at the Fifth Session of the Standing Committee of the Eighth National People’s Congress on 29 December 1993, which became effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“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 year ended 31 December 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

► Definitions

“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	the holder(s) of our Shares
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States