You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2019, 2020, and 2021, including the notes thereto, included in the Accountant's Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this document. For further details, see "Forward-Looking Statements."

OVERVIEW

We are a pioneer and 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. Furthermore, we utilize proprietary synthetic biology technology to develop and manufacture multiple types of recombinant collagen and rare ginsenosides in-house. Our years of R&D on bioactive ingredients and integrated business model enable us to achieve the technological and market leadership positions in the industry. As of the Latest Practicable Date, we had a portfolio of 105 SKUs across eight major brands covering functional skincare, medical dressings and functional foods.

We have achieved significant growth during the Track Record Period. Our revenue increased from RMB956.7 million in 2019 to RMB1,190.5 million in 2020, and further increased to RMB1,552.5 million in 2021. Moreover, our net profit amounted to RMB575.2 million, RMB826.5 million, RMB828.1 million in 2019, 2020 and 2021, respectively, with net profit margin of 60.1%, 69.4% and 53.3% during the same periods. Our adjusted net profit amounted to RMB575.0 million, RMB672.3 million and RMB836.8 million in 2019, 2020 and 2021, respectively, with adjusted net profit margin of 60.1%, 56.5% and 53.9% during the same periods.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial position have been, and are expected to be, continuously and materially affected by a number of key factors, including the following:

Market Demand for Our Products

Our results of operations depend significantly on consumer demand for our products. Accelerated urbanization and rising disposable income have increased the demand for beauty and health products, which has been growing continuously. According to Frost & Sullivan, generally there is a positive correlation between per capita disposable income, which represents consumer purchasing power, and per capita expenditure on beauty and health products. From 2017 to 2021, the per capita disposable income in China increased from RMB26.0 thousand to RMB35.1 thousand at a CAGR of 7.8%. It is expected to further increase from RMB38.3 thousand in 2022 to RMB57.3 thousand in 2027 at a CAGR of 8.4%. The rising consumer spending power in China drove the growth in sales of our products throughout the Track Record Period. In addition, given the favorable biological properties of bioactive ingredients, the demand for the bioactive ingredient-based products is expected to increase.

According to Frost & Sullivan, China's recombinant collagen-based product market size by retail sales value has grown from RMB1.5 billion in 2017 to RMB10.8 billion in 2021 at a CAGR of 63.0%, and is expected to further grow from RMB18.5 billion in 2022 to RMB108.3 billion in 2027 at a CAGR of 42.4%. As for rare ginsenosides technology-based functional food market, the retail sales value in China increased from RMB405.9 million in 2017 to RMB645.4 million in 2021 at a CAGR of 12.3%, and is expected to further expand from RMB739.0 million in 2022 to RMB1,561.4 million in 2027 at a CAGR of 16.1%, according to Frost & Sullivan. As we ranked second in China's professional skin treatment product industry by retail sales in 2021, we believe we are well positioned to capture the market growth.

Sales and Distribution Network

We primarily engage distributors to distribute products to individual customers, hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains. In 2019, 2020 and 2021, revenue generated from distributors was RMB763.9 million, RMB859.5 million and RMB862.9 million respectively, representing 79.9%, 72.2% and 55.6% of the total revenue from the same periods respectively. Our direct sales include sales through our DTC stores on e-commerce and social media platforms, as well as sales through proprietary divisions of e-commerce platforms. We also directly sell our products to hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains. In 2019, 2020 and 2021, revenue generated from direct sales was RMB192.8 million, RMB331.0 million and RMB689.6 million respectively, accounting for 20.1%, 27.8% and 44.4% of our total revenue of the corresponding period, respectively.

During the Track Record Period, our online direct sales increased significantly which contributed to the increase in our total revenue. As online direct sales have comparatively higher gross margin compared to our offline direct sales and sales to distributors, the significant increase in the revenue contribution by online direct sales both in absolute amount and as a percentage of our total revenue throughout the Track Record Period also resulted in improvements in our overall gross profit margin. As we continue to invest in online marketing efforts, we expect that our online direct sales to grow further in the future which, in turn, will contribute to our business growth as well as improve our results of operations in the long run.

Expanding and Diversified Product Portfolio Empowered by R&D Capabilities

As of the Latest Practicable Date, we had a portfolio of 105 SKUs across eight major brands covering functional skincare, medical dressings and functional foods. Our diversified product portfolio ensures broad and in-depth coverage in terms of customer base. Moreover, we have developed an extensive pipeline of product candidates. Leveraging our proprietary synthetic biology platform, we will continuously design and develop new types of recombinant collagen and other bioactive ingredients, as well as launch new products and expand our product portfolio in future. See "Business – Our Expanding and Diversified Product Pipeline" and "Future Plans and Use of [**REDACTED**]" for details of our future investments in R&D.

Our technological capabilities are crucial to our business operations. In the past years, we have made investments in our R&D activities as we continued to (i) develop and iterate our synthetic biology technologies and (ii) develop and launch new products. In 2019, 2020 and 2021, our R&D expenses amounted to RMB11.4 million, RMB13.4 million and RMB25.0 million respectively, accounting for 1.2%, 1.1%, and 1.6% of the total revenue of the corresponding period respectively. In addition to our in-house R&D team, we also maintain collaborative relationships with research and academic institutions, such as Northwest University. We believe that our continued investments in R&D have enabled us to make technological innovations and reinforce our market leadership and will continue to do so in the long run. Going forward, we will expand our R&D facilities and recruit seasoned talents and experts to maintain our strong R&D capabilities and market leadership. See "Business – Research and Development."

Sales and Marketing Activities and Related Expenses

The effectiveness of our sales and marketing activities is critical to our financial performance, and our spending on sales and marketing activities has affected and is expected to continue to affect our performance. We communicate with consumers through various channels and touchpoints through online and offline marketing activities. In 2019, 2020, and 2021, our selling and distribution expenses amounted to RMB93.8 million, RMB158.4 million and RMB346.2 million respectively. Such increase was largely in line with our business growth and driven by an increased investment in our online marketing activities. Such switch in channel focus also affected our profit margin. We believe our sales and marketing efforts will continue to help communicate the efficacy and properties of our technology-based beauty and health products to consumers and establish our corporate image as the technology-based beauty brand in China. See "Future Plans and Use of [**REDACTED**]" for details of our future investments in marketing activities.

THE IMPACTS OF COVID-19 ON OUR BUSINESS

The COVID-19 pandemic has adversely affected the global and Chinese economy, and may impact consumer demand negatively. Following the outbreak of the pandemic, stringent countermeasures have been implemented to contain the virus, which include nationwide quarantine measures, lockdowns of cities or communities and travel restrictions. Measures such as limitation on social gatherings and other similar activities resulted in certain limited hours of operation for many businesses. As a result, our operations have to a certain extent been impacted by delays in business activities, commercial transactions and uncertainties surrounding the duration of the governments' extended business and travel restrictions.

Impacts on Production and Logistics

Due to the COVID-19 outbreaks in several provinces in China resulting from the spread of various strains, we experienced some temporary disruptions in production and logistics during the Track Record Period. For example, in the first two months of 2020 and December 2021, the operation of our manufacturing facilities was temporarily suspended. However, the advanced stock up of our products was adequate in meeting the orders and hence the suspension of production did not materially affect the availability of our products for sales. Nevertheless, we experienced some delays in dispatching orders with our logistics partners in China. Save for the aforementioned disruptions, our supply chain and production were, to the best of our knowledge, not materially impacted by the COVID-19 pandemic.

Impacts on Sales Channels

As demand for consumer goods was significantly affected by the reduced consumer mobility and the closure of hospitals, clinics, pharmacy and cosmetics chains, our business activities in certain offline distribution channels slowed down in the first half of 2020 after the COVID-19 outbreak in China and the revenue from our direct sales in offline channels decreased from RMB34.7 million in 2019 to RMB23.8 million in 2020.

Notwithstanding the global outbreak of the COVID-19 pandemic, our business has not encountered any long-term material adverse effect. In contrast, we have achieved robust growth in revenue. Our total revenue increased by 24.4% from RMB956.7 million in 2019 to RMB1,190.5 million in 2020, and further increased by 30.4% to RMB1,552.5 million in 2021. As of March 31, 2022, we had a liquidity of RMB991.9 million, including cash and cash equivalents. We believe that the level of liquidity is adequate for us to navigate the potential risks resulting from the pandemic.

Preventive Measures

Since the initial outbreak of COVID-19 at the end of 2019, we have been closely monitoring the situations and have made consistent efforts to accommodate the potential impacts caused by the COVID-19, such as making earlier arrangements in product ordering and delivery, or building inventories buffer in anticipation of potential delay. Since October 2021, we have engaged third party warehouse and logistics service providers to store and despatch our products from different cities in China. As of the Latest Practicable Date, we dispatched deliveries from three cities in China, namely Tianjin, Huai'an and Qingyuan, so as to minimize the delays in dispatching deliveries for our online orders in light of the resurgence of COVID-19 in different provinces.

We adopted certain hygiene and precautionary measures in accordance with the applicable regulations implemented in relation to the outbreak. We also implemented a series of preventive measures from time to time to ensure the safety of our customers and employees, including (i) temperature checks for employees twice a day, (ii) mandatory requirement for all employees to wear masks, (iii) constant sanitization and (iv) temporary accommodation for our employees. We did not incur a material amount of costs in relation to such measures.

We are monitoring and will continue to closely monitor the development of such COVID-19 recurrence and take counter measures to mitigate its impact on our operations. See "Risk Factors – Risks Relating to Our Business and Industry – Our business growth and results of operations may be affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics such as the COVID-19 pandemic, and social disruption and other outbreaks."

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with applicable IFRS as adopted by the International Accounting Standards Board. All IFRS effective for the accounting period commencing from January 1, 2021, including relevant transitional provisions, have been early adopted by us in the preparation of the Historical Financial Information throughout the Relevant Periods. The Historical Financial Information has 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. The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Notes 2.4 and 3 to the Accountant's Report included in Appendix I to this document.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

We set forth below accounting policies which we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in details in Notes 2.4 and 3 to the Accountant's Report included in Appendix I to this document.

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 year, 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, 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 is recognized as an expense in the year in which it is incurred.

Fair Value Measurement

Our Group measures its financial products at fair value through profit or loss at the end of each year of the Track Record 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 our 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.

Our Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing 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, our 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 year of the Track Record Period.

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 our 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 our 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 our Group and the customer at contract inception. When the contract contains a financing component which provides our 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.

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 customer's acceptance of the products upon delivery or upon customer's 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 our 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 our 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 our Group transfers the related goods or services. Contract liabilities are recognized as revenue when our Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

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, our 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. 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 of each year of the Track Record 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 period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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 labor 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.

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, 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. Our Group's financial liabilities include trade payables and other payables.

Subsequent measurement

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

Financial liabilities at amortized cost (payables)

After initial recognition, payables, is 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 the statement of 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 the statement of profit or loss.

Derecognition of financial liabilities

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

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the periods indicated:

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Revenue	956,702	1,190,479	1,552,486
Cost of sales	(159,990)	(183,410)	(198,149)
Gross profit	**796,712**	**1,007,069**	**1,354,337**
Selling and distribution expenses	(93,788)	(158,422)	(346,211)
Administrative expenses	(28,845)	(32,992)	(72,274)
Research and development costs	(11,400)	(13,381)	(24,954)
Other expense	–	(2,344)	(2,954)
Other income	31,166	21,386	33,155
Other gains or losses, net	(15,825)	149,447	32,144
Provision/(reversal) of impairment losses on financial assets, net	(1,024)	2,479	(326)
PROFIT BEFORE TAX	**676,996**	**973,242**	**972,917**
Income tax expense	(101,816)	(146,757)	(144,785)
PROFIT FOR THE YEAR	**575,180**	**826,485**	**828,132**

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance.

We believe this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS. We define adjusted net profit as net profit for the period/year adjusted by adding back equity-settled share award expense, which is non-cash in nature, and [**REDACTED**] expenses, which is non-recurring, and deducting fair value gains on financial assets at fair value through profit or loss ("**FVTPL**"), which is unrelated to our core business.

The following table reconciles our adjusted net profit for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net profit for the year:

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	RMB (in thousands)		
Reconciliation of profit to adjusted profit			
Profit for the year	575,180	826,485	828,132
Add:			
Equity-settled share award expense	–	592	16,487
[**REDACTED**] expenses	–	–	6,647
Less:			
Fair value gains on financial assets at FVTPL	162	154,778	14,474
Adjusted profit for the year (unaudited)	**575,018**	**672,299**	**836,792**

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue primarily from sale of products in the beauty and health sectors in China.

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 for the periods indicated:

	For the Year Ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands except for percentages)					
Professional skin treatment products	852,792	89.1	1,072,642	90.1	1,503,052	96.8
Functional foods and others	103,910	10.9	117,837	9.9	49,434	3.2
Total	**956,702**	**100.0**	**1,190,479**	**100.0**	**1,552,486**	**100.0**

Our overall growth in revenue during the Track Record Period was primarily driven by sales of professional skin treatment products, which increased both in absolute amount and as a percentage of our total revenue.

Revenue by sales channel

During the Track Record Period, we sold our products through direct sales and sales to our distributors. We directly sell 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 engage distributors to sell and distribute our products to individual consumers, hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains, which accounted for 79.9%, 72.2% and 55.6% of our total revenue during the Track Record Period.

The following table sets forth the breakdown of our revenue by sales channel in absolute amounts and as a percentage of our total revenue for the years indicated:

	For the Year Ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except percentages)					
Direct sales						
– Online direct sales through our DTC stores	156,136	16.3	274,181	23.0	574,065	37.0
– Online direct sales to e-commerce platforms	1,947	0.2	32,977	2.8	70,097	4.5
– Offline direct sales	34,670	3.6	23,825	2.0	45,390	2.9
Subtotal	**192,753**	**20.1**	**330,983**	**27.8**	**689,552**	**44.4**
Sales to distributors	**763,949**	**79.9**	**859,496**	**72.2**	**862,934**	**55.6**
Total	**956,702**	**100.0**	**1,190,479**	**100.0**	**1,552,486**	**100.0**

Our revenue from online direct sales through our DTC stores increased significantly by 75.7% from RMB156.1 million in 2019 to RMB274.2 million in 2020, and further by 109.4% to RMB574.1 million in 2021, accounting for 16.3%, 23.0% and 37.0% of our total revenue for the same periods. Our revenue from online direct sales to e-commerce platforms increased by 1,636.8% from RMB1.9 million in 2019 to RMB33.0 million in 2020, and further by 112.4% to RMB70.1 million in 2021, accounting for 0.2%, 2.8% and 4.5% of our total revenue for the same periods. The growth in online direct sales was attributable to our enhanced online marketing efforts. Our revenue from offline direct sales decreased by 31.4% from RMB34.7 million in 2019 to RMB23.8 million in 2020, and subsequently increased by 90.8% to RMB45.4 million in 2021, accounting for 3.6%, 2.0% and 2.9% of our total revenue for the same periods. As such, our direct sales increased by 71.7% from RMB192.8 million in 2019 to RMB331.0 million in 2020, and further by 108.3% to RMB689.6 million in 2021, accounting for 20.1%, 27.8% and 44.4% of our total revenue for the same periods.

Our sales to distributors increased by 12.5% from RMB763.9 million in 2019 to RMB859.5 million in 2020, and further by 0.4% to RMB862.9 million in 2021, accounting for 79.9%, 72.2% and 55.6% of our total revenue for the same periods.

Cost of Sales

During the Track Record Period, our cost of sales mainly consisted of (i) purchase of raw materials, (ii) manufacturing overhead and logistics, (iii) direct labor costs and (iv) equity-settled share award expense. Our major raw materials include chemicals and natural ingredients as well as packaging materials. We develop and manufacture recombinant collagen and rare ginsenosides in-house. As such, we are able to optimize our cost structure.

The following table sets forth the breakdown of our cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	For the Year Ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Raw materials	119,340	74.6	137,730	75.1	143,878	72.6
Manufacturing overhead & logistics	27,027	16.9	30,544	16.7	41,378	20.9
Direct labor costs	13,623	8.5	15,112	8.2	12,234	6.2
Equity-settled share award expense	–	–	23	–	659	0.3
Total	**159,990**	**100.0**	**183,410**	**100.0**	**198,149**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

Gross Profit and Gross Profit Margin by Product Category

The following table sets our gross profit and gross profit margin by product category for the periods indicated:

	For the Year Ended December 31,					
	2019		2020		2021	
	Gross profit	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*
	(RMB in thousands except for percentages)					
Professional skin treatment products	722,774	84.8	925,741	86.3	1,312,102	87.3
Functional foods and others	73,938	71.2	81,328	69.0	42,235	85.4
Total	**796,712**	**83.3**	**1,007,069**	**84.6**	**1,354,337**	**87.2**

Our overall gross profit increased during the Track Record Period, primarily driven by the increase in revenue from the sales of professional skin treatment products. Our gross profit increased by 26.4% from RMB796.7 million in 2019 to RMB1,007.1 million in 2020 and by 34.5% to RMB1,354.3 million in 2021. Our gross profit margins increased from 83.3% in 2019 to 84.6% in 2020, and further to 87.2% in 2021. Gross profit generated from the sales of our professional skin treatment products increased by 28.1% from RMB722.8 million in 2019 to RMB925.7 million in 2020 and further by 41.7% to RMB1,312.1 million in 2021. Gross profit generated from the sales of functional foods and others increased by 10.0% from RMB73.9 million in 2019 to RMB81.3 million in 2020 and decreased by 48.1% to RMB42.2 million in 2021.

Gross Profit and Gross Profit Margin by Sales Channel

The following table sets our gross profit and gross profit margin by sales channel for the periods indicated:

	For the Year Ended December 31,					
	2019		**2020**		**2021**	
	Gross profit	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*
	(RMB in thousands except for percentages)					
Direct sales						
– Online direct sales through our DTC stores	144,325	92.4	250,635	91.4	517,260	90.1
– Online direct sales to e-commerce platforms	1,784	91.6	29,909	90.7	66,732	95.2
– Offline direct sales	29,568	85.3	21,035	88.3	37,275	82.1
Sales to distributors	621,035	81.3	705,490	82.1	733,070	85.0
Total	**796,712**	**83.3**	**1,007,069**	**84.6**	**1,354,337**	**87.2**

Our overall gross profit margin improved throughout the Track Record Period, which was primarily driven by our growth in our online direct sales.

Selling and Distribution Expenses

Our selling and distribution expenses primarily comprise (i) online marketing expenses, (ii) offline marketing expenses, and (iii) employee compensation expenses. Our online marketing expenses primarily include platform marketing fees, platform service fees, and fees related to collaborations with new media influencers. Our offline marketing expenses mainly related to marketing costs in academic conventions and industry fairs as well as traditional advertising. During the Track Record Period, our selling and distribution expenses amounted to RMB93.8 million, RMB158.4 million and RMB346.2 million in 2019, 2020 and 2021, respectively, which accounted for 9.8%, 13.3% and 22.3% of our total revenue for the respective years.

The following table sets forth a breakdown of our selling and distribution expenses by nature for the periods indicated:

	For the Year Ended December 31,					
	2019		**2020**		**2021**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands except for percentages)					
Online marketing expenses	64,523	68.7	124,626	78.7	306,107	88.5
Offline marketing expenses	24,816	26.5	27,535	17.4	23,369	6.7
Employee compensation expenses	3,266	3.5	5,132	3.2	12,552	3.6
Equity-settled share award expense	–	–	27	–	765	0.2
Others	1,183	1.3	1,102	0.7	3,418	1.0
Total	**93,788**	**100.0**	**158,422**	**100.0**	**346,211**	**100.0**

Administrative Expenses

Our administrative expenses primarily comprise (i) employee compensation expenses, (ii) equity-settled share award expense, (iii) depreciation and amortization expenses, (iv) professional service fees, and (v) office and utilities expenses. During the Track Record Period, our administrative expenses amounted to RMB28.8 million, RMB33.0 million and RMB72.3 million in 2019, 2020 and 2021, respectively, which accounted for 3.0%, 2.8% and 4.7% of our total revenue, respectively.

The following table sets forth a breakdown of our administrative expenses by nature for the periods indicated:

	For the Year Ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands except for percentages)					
Employee compensation expenses	5,276	18.3	9,410	28.5	22,262	30.8
Equity-settled share award expense	–	–	472	1.4	13,124	18.1
Depreciation and amortization expenses	10,242	35.5	10,695	32.4	12,187	16.9
[**REDACTED**] expense	–	–	–	–	6,647	9.2
Office and utilities expenses	5,560	19.3	5,110	15.5	6,562	9.1
Professional service fees	–	–	487	1.5	4,243	5.9
Other tax expenses	1,255	4.3	2,001	6.1	2,828	3.9
Inventory provision and obsolete	4,500	15.6	1,368	4.1	1,627	2.2
Others	2,012	7.0	3,449	10.5	2,794	3.9
Total	**28,845**	**100.0**	**32,992**	**100.0**	**72,274**	**100.0**

Research and Development Costs

Our R&D costs primarily comprise (i) employee compensation expenses, (ii) R&D materials, (iii) depreciation and amortization expenses, (iv) testing fees and (v) equity-settled share award expense. During the Track Record Period, our R&D costs amounted to RMB11.4 million, RMB13.4 million and RMB25.0 million in 2019, 2020 and 2021, respectively, which accounted for 1.2%, 1.1% and 1.6% of our total revenue, respectively. See "Business – Research and Development."

The following table sets forth a breakdown of our R&D costs by nature for the periods indicated:

	For the Year Ended December 31,					
	2019		2020		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands except for percentages)					
Employee compensation expenses	6,331	55.6	6,767	50.6	9,352	37.5
R&D materials	3,435	30.1	2,247	16.8	5,982	24.0
Depreciation and amortization expenses	696	6.1	2,376	17.8	3,015	12.1
Testing fees	180	1.6	582	4.3	2,463	9.8
Equity-settled share award expense	–	–	70	0.5	1,939	7.8
Others	758	6.6	1,339	10.0	2,203	8.8
Total	**11,400**	**100.0**	**13,381**	**100.0**	**24,954**	**100.0**

Other Income

Our other income comprises (i) government grants, (ii) interest income, and (iii) rental income. Other income amounted to RMB31.2 million, RMB21.4 million and RMB33.2 million in 2019, 2020 and 2021, respectively.

The table below sets forth the breakdown of our other income for the periods indicated:

	For the Year Ended December 31,		
	2019	2020	2021
	(RMB in thousand)		
Other income			
Government grants	14,985	9,136	20,770
Interest income	16,181	9,882	9,408
Rental income	–	2,368	2,977
Total	**31,166**	**21,386**	**33,155**

Other gains or losses, net

Our other gains or losses primarily comprise (i) foreign exchange gains, net, (ii) fair value gains on financial assets at FVTPL, and (iii) litigation compensation. We recorded other losses of RMB15.8 million, and other gains of RMB149.4 million and RMB32.1 million in 2019, 2020 and 2021, respectively.

The table below sets forth the breakdown of our other gains or losses for the periods indicated:

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	(RMB in thousand)		
Foreign exchange gains, net	–	–	21,606
Fair value gains on financial assets at FVTPL[(1)]	162	154,778	14,474
Litigation compensation	(10,118)	–	–
Others	(5,869)	(5,331)	(3,936)
Total	**(15,825)**	**149,447**	**32,144**

Note:

(1) See "– Discussion of Major Balance Sheet Items – Current Assets/Liabilities – Financial Assets at Fair Value through Profit or Loss."

Income Tax Expense

Taxes on profits have been calculated at the rates of tax prevailing in the jurisdictions in we operate.

Our Company incorporated in 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% on the estimated assessable profits arising in Hong Kong during the year.

Our subsidiaries in China are subject to Enterprise Income Tax ("**EIT**") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the EIT Law. Pursuant to the EIT Law, enterprises in China are generally subject to EIT at the statutory rate of 25%. Three of our PRC subsidiaries, namely Shaanxi Giant Biotechnology, Xi'an Giant Biogene and Shaanxi Giant Teyi, are entitled to a preferential EIT rate of 15% during the Track Record Period based on the Guidance Catalog for Adjustment of

Industrial Structure (2011 edition) (《產業結構調整指導目錄(2011年本)》) applicable in 2019 and its revised version (《產業結構調整指導目錄 (2019年本)修正》) applicable in 2020 and 2021. As issued by the NDRC, the Guidance Catalog and its revised version are related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

The table below sets forth a breakdown of our income tax expenses for the periods indicated.

	For the Year Ended December 31,		
	2019	2020	2021
	(RMB in thousands)		
Current tax:			
Charge for the year	103,239	142,501	145,378
Deferred tax charge/(credited)	(1,423)	4,256	(593)
Total	**101,816**	**146,757**	**144,785**

In 2019, 2020 and 2021, our effective tax rates were 15.0%, 15.1% and 14.9%, respectively.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 30.4% from RMB1,190.5 million in 2020 to RMB1,552.5 million in 2021, primarily due to the increase in the revenue generated from the sales of our professional skin treatment products.

- ***Professional skin treatment products:*** The revenue generated from the sales of professional skin treatment products increased by 40.1% from RMB1,072.7 million in 2020 to RMB1,503.1 million in 2021, primarily due to the 113.1% increase in the revenue generated from the sales of the products under *Comfy* from RMB421.3 million in 2020 to RMB897.7 million in 2021. The increase in the sales of the products under *Comfy* was primarily driven by our enhanced online marketing activities to boost the online direct sales.

- ***Functional foods and others:*** The revenue for functional foods and others decreased by 58.1% from RMB117.8 million in 2020 to RMB49.4 million in 2021, primarily due to the reduced sales of our beverage and fiber supplements with comparatively lower profit margins.

Costs of sales

Our cost of sales increased by 8.0% from RMB183.4 million in 2020 to RMB198.1 million in 2021, which was primarily driven by the increase in production and sales of our products in 2021.

Gross profit and gross profit margin

Our overall gross profits increased by 34.5% from RMB1,007.1 million to RMB1,354.3 million, and our gross profit margin increased from 84.6% in 2020 to 87.2% in 2021. In particular:

- ***Professional skin treatment products***: The gross profits for our professional skin treatment products increased by 41.7% from RMB925.8 million in 2020 to RMB1,312.1 million in 2021, primarily driven by the increased revenue from the sales of the products under *Comfy*. The gross profit margins for our professional skin treatment products remained relatively stable at 86.3% in 2020 and 87.3% in 2021.

- ***Functional foods and others***: The gross profits for functional foods and others decreased by 48.1% from RMB81.3 million in 2020 to RMB42.2 million in 2021, primarily due to the reduced sales of products with comparatively lower gross margins, such as beverage and fiber supplements. Such change in product mix also resulted in an increase in the gross profit margins for functional foods and others from 69.0% in 2020 to 85.4% in 2021.

Other income

Our other income increased by 55.1% from RMB21.4 million in 2020 to RMB33.2 million in 2021, primarily due to an increase in the government grants we received in 2021.

Other gains or losses, net

Our other gains, net decreased by 78.5% from RMB149.4 million in 2020 to RMB32.1 million in 2021, primarily due to a decrease in fair value gains on financial assets at FVTPL as we incurred a substantial one-time gain on disposal of certain financial products in 2020, partially offset by an increase in the foreign exchange gains, net in 2021.

Selling and distribution expenses

Our selling and distribution expenses increased by 118.6% from RMB158.4 million in 2020 to RMB346.2 million in 2021, primarily due to the increases in online marketing expenses driven by our expansion in online direct sales. As a result, the selling and distribution expenses as a percentage of our total revenue increased from 13.3% in 2020 to 22.3% in 2021.

Administrative expenses

Our administrative expenses increased by 119.1% from RMB33.0 million in 2020 to RMB72.3 million in 2021, primarily due to an increase in equity-settled share award expense in 2021 and an increase in the number of our administrative personnel driven by our business expansion. As a result, the administrative expenses as a percentage of our total revenue increased from 2.8% in 2020 to 4.7% in 2021.

Research and development costs

Our R&D costs increased by 86.6% from RMB13.4 million in 2020 to RMB25.0 million in 2021, primarily due to (i) an increase in employee compensation expenses and an increase in equity-settled share award expense in 2021, and (ii) an overall increase in our R&D activities. As a result, the R&D expenses as a percentage of our total revenue increased from 1.1% in 2020 to 1.6% in 2021.

Provision/(reversal) of impairment losses on financial assets, Net

Our net impairment losses on financial assets changed from a net reversal of RMB2.5 million in 2020 to a net provision RMB0.3 million in 2021, primarily due to certain impairment loss of trade receivables.

Profit before Tax

Our profit before tax slightly decreased from RMB973.2 million in 2020 to RMB972.9 million in 2021, primarily because our profit before tax in 2020 included a substantial fair value gain on financial assets at FVTPL of RMB154.8 million in 2020. Excluding such gain in 2020, our profit before tax increased from 2020 to 2021.

Income tax expense

Our income tax expense remained relatively stable at RMB146.8 million in 2020 and RMB144.8 million in 2021, as our taxable income remained relatively stable.

Profit for the year

As a result of the foregoing, our profit for the year increased by 0.2% from RMB826.5 million in 2020 to RMB828.1 million in 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by 24.4% from RMB956.7 million in 2019 to RMB1,190.5 million in 2020, primarily due to the increase in the revenue generated from the sales of our professional skin treatment products.

- ***Professional skin treatment products:*** The revenue for professional skin treatment products increased by 25.8% from RMB852.8 million in 2019 to RMB1,072.7 million in 2020, primarily due to an increase in the sales of the products under our flagship brands, *Comfy* and *Collgene*, driven by (i) our enhanced online marketing activities to boost the online direct sales, and (ii) an increase in the sales through distributors.

- ***Functional foods and others:*** The revenue for functional foods and others increased by 13.4% from RMB103.9 million in 2019 to RMB117.8 million in 2020, primarily due to an increase in the sales of ginsenosides-based functional foods and beverage products.

Costs of sales

Our cost of sales increased by 14.6% from RMB160.0 million in 2019 to RMB183.4 million in 2020, which was primarily driven by the increase in production and sales of our products for the same period.

Gross profit and gross profit margin

Our overall gross profits increased by 26.4% from RMB796.7 million in 2019 to RMB1,007.1 million in 2020, and our gross profit margin increased from 83.3% in 2019 to 84.6% in 2020. In particular:

- ***Professional skin treatment products:*** The gross profits for the professional skin treatment products increased by 28.1% from RMB722.8 million in 2019 to RMB925.8 million in 2020, primarily due to the increased revenue from the sales of products under our flagship brands *Comfy* and *Collgene*. The gross profit margins for professional skin treatment products remained relatively stable at 84.8% and 86.3% in 2019 and 2020.

- ***Functional foods and others:*** The gross profits for functional foods and others increased by 10.0% from RMB73.9 million in 2019 to RMB81.3 million in 2020, primarily due to the increased revenue generated from the sales of ginsenosides-based functional foods. The gross profit margins for functional foods and others remained relatively stable at 71.2% in 2019 and 69.0% in 2020.

Other income

Our other income decreased by 31.4% from RMB31.2 million in 2019 to RMB21.4 million in 2020, primarily due to (i) a decrease in interest income in 2020 and (ii) a decrease in the government grants we received in 2020.

Other gains or losses, net

We incurred other net losses of RMB15.8 million in 2019, primarily due to the litigation compensation of RMB10.1 million paid in 2019, and other net gains of RMB149.4 million in 2020, primarily due to an increase in the fair value gains related to the disposal of certain financial products.

Selling and distribution expenses

Our selling and distribution expenses increased by 68.9% from RMB93.8 million in 2019 to RMB158.4 million in 2020, primarily due to the increase in online marketing expenses in relation to our enhanced online marketing activities driven by our business expansion. As a result, the selling and distribution expenses as a percentage of our total revenue increased from 9.8% in 2019 to 13.3% in 2020.

Administrative expenses

Our administrative expenses increased by 14.6% from RMB28.8 million in 2019 to RMB33.0 million in 2020, primarily due to the increase in employee compensation expenses as a result of an increase in the number of our administrative personnel driven by our business expansion. However, the administrative expenses as a percentage of our total revenue decreased from 3.0% in 2019 to 2.8% in 2020.

Research and development costs

Our R&D costs increased by 17.5% from RMB11.4 million in 2019 to RMB13.4 million in 2020, primarily due to the increase in our R&D activities and an increase in the number of R&D personnel in 2020 resulted in an increase in employee compensation expenses. However, given our growth in revenue, our R&D expenses as a percentage of our total revenue remained relatively stable at 1.2% in 2019 and 1.1% in 2020.

Provision/(reversal) of impairment losses on financial assets, Net

Our net impairment losses on financial assets changed from a net provision of RMB1.0 million loss in 2019 to a net reversal of RMB2.5 million gains in 2020, primarily due to the decrease in expected credit losses on trade receivables as a result of the subsequent settlement of trade receivables.

Profit before Tax

Our profit before tax increased by 43.8% from RMB677.0 million in 2019 to RMB973.2 million in 2020.

Income tax expense

Our income tax expense increased by 44.2% from RMB101.8 million in 2019 to RMB146.8 million in 2020, primarily due to an increase in the profit before tax from 2019 to 2020.

Profit for the year

As a result of the foregoing, our profit for the year increased by 43.7% from RMB575.2 million in 2019 to RMB826.5 million in 2020.

DISCUSSION OF MAJOR BALANCE SHEET ITEMS

The following table sets forth selected information from our summary consolidated balance sheet as of the dates indicated, which has been extracted from our audited consolidated financial statements included in Appendix I to this document.

	As of December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Total current assets	1,458,255	2,284,098	7,441,322
Total non-current assets	338,682	367,010	436,886
Total assets	**1,796,937**	**2,651,108**	**7,878,208**
Total current liabilities	626,054	2,173,890	6,843,042
Total non-current liabilities	19,434	19,215	18,355
Total liabilities	**645,488**	**2,193,105**	**6,861,397**

Current Assets/Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
				(unaudited)
CURRENT ASSETS				
Inventories	50,863	64,656	89,394	84,577
Trade receivables	17,260	54,523	65,639	40,322
Prepayments, other receivables and other assets, current	16,289	7,460	27,682	43,763
Amounts due from related parties	554,897	201,310	–	–
Financial assets at FVTPL	746,623	1,588,344	155,607	68,396
Cash and cash equivalents	72,323	367,805	7,103,000	991,894
Total current assets	**1,458,255**	**2,284,098**	**7,441,322**	**1,228,952**
CURRENT LIABILITIES				
Trade payables	22,779	31,946	23,612	30,503
Other payables and accruals	77,741	93,856	6,362,837	84,237
Tax payable	122,867	144,234	71,355	38,003
Dividend payables	397,000	1,900,000	367,460	62,960
Deferred income	1,620	2,681	1,500	1,500
Contract liabilities	4,047	1,173	16,278	11,424
Total current liabilities	**626,054**	**2,173,890**	**6,843,042**	**228,627**
NET CURRENT ASSETS	**832,201**	**110,208**	**598,280**	**1,000,325**

Our net current assets increased by 67.2% from RMB598.3 million as of December 31, 2021 to RMB1,000.3 million as of March 31, 2022, primarily due to (i) a decrease of RMB6,278.6 million in other payables and accruals, and (ii) a decrease of RMB304.5 million in dividend payables, partially offset by a decrease of RMB6,111.1 million in cash and cash equivalents. The decreases in other payables and accruals from RMB6,362.9 million as of December 31, 2021 to RMB84.2 million as of March 31, 2022 and cash and cash equivalents from RMB7,103.0 million as of December 31, 2021 to RMB991.9 million as of March 31, 2022 were primarily due to the repurchase of ordinary shares pursuant to the Share Redemption Agreement. See "History, Reorganization and Corporate Structure – Pre-[**REDACTED**] Investments."

Our net current assets increased by 442.9% from RMB110.2 million as of December 31, 2020 to RMB598.3 million as of December 31, 2021, primarily due to (i) an increase of RMB6,735.2 million in cash and cash equivalents and (ii) a decrease of RMB1,532.5 million in dividend payables, partially offset by (i) a decrease of RMB1,432.7 million in financial assets at FVTPL, and (ii) a decrease of RMB201.3 million in amounts due from related parties, and (iii) an increase of RMB6,269.0 million in other payables and accruals. We recorded a contractual obligation for redemption of ordinary shares of RMB6,276.6 million as of December 31, 2021.

Our net current assets decreased by 86.8% from RMB832.2 million as of December 31, 2019 to RMB110.2 million as of December 31, 2020, primarily due to (i) an increase of RMB1,503.0 million in dividend payables, and (ii) a decrease of RMB353.6 million in the amounts due from the related parties, partially offset by (i) an increase of RMB841.7 million in financial assets at FVTPL, and (ii) an increase of RMB295.5 million in cash and cash equivalents.

Inventories

Our inventories consisted of raw materials and finished goods. We had inventories of RMB50.9 million, RMB64.7 million, and RMB89.4 million, as of December 31, 2019, 2020 and 2021. The following table sets forth the breakdown of our inventory balance as of the date indicated:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Raw materials	22,330	32,103	45,308
Finished goods	28,533	32,553	44,086
Total	**50,863**	**64,656**	**89,394**

Our inventories increased from RMB50.9 million as of December 31, 2019 to RMB64.7 million as of December 31, 2020, and further increased to RMB89.4 million as of December 31, 2021, primarily due to the increase in both our raw materials and finished goods in order to accommodate our increased production and sales of our products during the Track Record Period.

The following table sets forth our inventory turnover days during the periods indicated:

	As of December 31,		
	2019	**2020**	**2021**
Inventory turnover days[1]	106	115	142

Note:

(1) Inventory turnover days for each period equals the average of the beginning and ending balances of inventories for that period divided by cost of sales for that period and multiplied by the number of days in that period.

Our inventory turnover days remained relatively stable at 106 days in 2019 and 115 days in 2020. Our inventory turnover days increased from 115 days in 2020 to 142 days in 2021, primarily due to (i) the increase in the stock up of raw materials and finished goods driven by the increased production and sales of our products and (ii) the delay in dispatching of our products under the impact of the COVID-19 resurgence in China around the end of 2021.

As of March 31, 2022, approximately RMB49.7 million, or 55.6% of our inventories as of December 31, 2021 had been utilized or sold.

Trade Receivables

Our trade receivables mainly comprise the payments for our products from distributors, an e-commerce platform and medical institutions. The following table sets forth our trade receivables as of the date indicated:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Trade receivables	17,711	55,219	66,383
Impairment	(451)	(696)	(744)
Total	**17,260**	**54,523**	**65,639**

Our trading terms with customers are mainly payment in advance before we deliver the products, whilst we grant credit periods to certain major customers with good creditworthiness. For our online direct sales through DTC stores, we generally do not offer any credit period. The credit period for (i) large-scale distributors are generally up to 30 days, (ii) hospitals, clinics and pharmacy chains ranges from 30 to 180 days, (iii) e-commerce platforms range from 30 to 60 days. We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by senior management. We do not hold any collateral or other credit enhancements over our trade receivable balances. Our trade receivables are non-interest-bearing.

Our trade receivables increased from RMB17.3 million as of December 31, 2019 to RMB54.5 million as of December 31, 2020, and further increased to RMB65.6 million as of December 31, 2021, primarily due to (i) the increase in the sales of our products and (ii) Xi'an Chuangkecun ceased to be a related party starting from June 2020, which resulted in the reclassification of amounts due from Xi'an Chuangkecun with trade nature under related party transactions to trade receivables.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Within one year	16,280	53,127	64,525
Over one year and within two years	687	618	572
Over two years	293	778	542
Total	**17,260**	**54,523**	**65,639**

The following table sets forth our trade receivable turnover days during the periods indicated:

	As of December 31,		
	2019	**2020**	**2021**
Trade receivable turnover days(1)	6	11	14

Note:

(1) Trade receivable turnover days for each period equals the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by the number of days in that period.

Our trade receivable turnover days remained relatively stable at 6 days, 11 days and 14 days in 2019, 2020 and 2021, respectively.

As of March 31, 2022, 90.2% of our total trade receivables as of December 31, 2021, or RMB59.9 million, were settled.

Prepayments, Other Receivables and Other Assets (Current)

Our prepayments, other receivables and other assets primarily consisted of prepayments to suppliers and deposits for our DTC stores on e-commerce platforms. The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Current:			
Prepayments	11,280	5,679	15,835
Value-added tax recoverable	–	–	6,697
Deposits and other receivables	6,041	2,405	4,879
Deferred [**REDACTED**] expenses	–	–	1,173
Impairment allowance	(1,032)	(624)	(902)
Total	**16,289**	**7,460**	**27,682**

Our prepayments, other receivables and other assets (current) decreased from RMB16.3 million as of December 31, 2019 to RMB7.5 million as of December 31, 2020, primarily due to a decrease in prepayments for raw materials as we procured additional raw materials for a new manufacturing facility in 2019. Our prepayments, other receivables and other assets (current) increased from RMB7.5 million as of December 31, 2020 to RMB27.7 million as of December 31, 2021, primarily due to an increase in prepayments for marketing activities and value-added tax recoverable of RMB6.7 million.

Amounts due from related parties

Amounts due from related parties was approximately RMB554.9 million, RMB201.3 million and nil as of December 31, 2019, 2020 and 2021, respectively. Amounts due from related parties primarily comprise of (i) receivables for our products due from Xi'an Chuangkecun with trade nature in 2019 and (ii) amounts due from Mr. Yan and Shaanxi Bomiaorui Technology Co., Ltd. in 2019 and 2020, respectively, with non-trade nature. Xi'an Chuangkecun ceased to be our related party starting from June 2020. See "Business – Our Customers – Our Relationship with Xi'an Chuangkecun."

Amounts due from Mr. Yan, which include principal and accrued interest arising therefrom, amounted to RMB433.6 million as of December 31, 2019 which had been settled in 2020. Amounts due from Shaanxi Bomiaorui Technology Co., Ltd. amounted to RMB201.3 million as of December 31, 2020, which had been settled in 2021.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss represented the financial products purchased from banks and other financial institutions in the PRC.

The table below sets forth the financial products purchased during the Track Record Period:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Financial Products	746,623	1,588,344	155,607

We endeavor to increase the return of idle cash and bank balances by purchasing financial products with expected but not guaranteed rates of return with banks and other financial institutions. Our investment policy in relation to such financial products is to monitor our level of idle cash and bank balances in China, and based on the working capital required at the relevant time, utilize such idle cash to purchase financial assets. Since 2021, we reduced our investments in such financial products and accordingly, the balance decreased from RMB1,588.3 million as of December 31, 2020 to RMB155.6 million as of December 31, 2021.

Trade Payables

Our trade payables primarily represent material costs and expenses payable to our suppliers. Our trade payables are non-interest-bearing and are generally settled within 60 days.

The table below sets forth the trade payables purchased during the Track Record Period:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Trade payables	22,779	31,946	23,612

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Within one year	19,479	30,593	22,710
Over one year and within two years	2,959	1,105	367
Over two years	341	248	535
Total	**22,779**	**31,946**	**23,612**

The following table sets forth our trade payable turnover days during the periods indicated:

	As of December 31,		
	2019	**2020**	**2021**
Trade payable turnover days(1)	47	54	51

Note:

(1) Trade payable turnover days for each period equals the average of the beginning and ending balances of trade payables for that period divided by cost for that period and multiplied by the number of days in that period.

In 2019, 2020 and 2021, our trade payables turnover days remained relatively stable at 47 days, 54 days and 51 days.

As of March 31, 2022, 74.5% of our total trade payables as of December 31, 2021, or RMB17.6 million, were settled.

Other Payables and Accruals

Our other payables and accruals comprise (i) contractual obligation for redemption of ordinary shares, (ii) deposits and other payables, (iii) payroll payable, (iv) other tax payable, (v) accrued [**REDACTED**] expenses, and (vi) payables for purchase of property, plant and equipment. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(RMB in thousands)		
Contractual obligation for redemption of ordinary shares	–	–	6,276,587
Deposits and other payables	24,175	50,200	48,950
Payroll payable	8,575	12,137	20,697
Other tax payable	19,386	28,368	8,236
Accrued [**REDACTED**] expenses	–	–	5,733
Payables for purchase of property, plant and equipment	25,605	3,151	2,634
Total	**77,741**	**93,856**	**6,362,837**

Our other payables and accruals increased from RMB77.7 million as of December 31, 2019 to RMB93.9 million as of December 31, 2020, primarily due to (i) the increase in deposits and other payables, (ii) the increase in other tax payable, and (iii) the increase in payroll payable, partially offset by a decrease in payables for purchase of property, plant and equipment. Our other payables and accruals increased from RMB93.9 million as of December 31, 2020 to RMB6,362.8 million as of December 31, 2021, primarily due to (i) an increase in contractual obligation for redemption of ordinary shares, (ii) an increase in payroll payable, (iii) the accrued [**REDACTED**] expenses in 2021, partially offset by (i) a decrease in other tax payable and (ii) a decrease in deposits and other payables. See "History, Reorganization and Corporate Structure" for details in relation to the redemption of ordinary shares.

Our deposits and other payables increased from RMB24.2 million as of December 31, 2019 to RMB50.2 million as of December 31, 2020, and remained relatively stable at RMB49.0 million as of December 31, 2021, mainly attributable to the deposits we collect from our distributors, which is generally in line with the increase in sales to our distributors.

Tax Payable

Our tax payable increased from RMB122.9 million as of December 31, 2019 to RMB144.2 million as of December 31, 2020, primarily due to our revenue growth in 2020. Our tax payable decreased from RMB144.2 million as of December 31, 2020 to RMB71.4 million as of December 31, 2021, mainly because (i) we settled in 2021 the payment of tax payable from prior years' profits, as well as the income tax for the investment gains on financial assets at FVTPL realized in the last quarter of 2020; and (ii) we made more provisional tax payments in relation to the profits generated in 2021.

Contract Liabilities

Our contract liabilities represent the advance payments from our customers while the underlying goods are yet to be provided. Our contract liabilities decreased from RMB4.0 million as of December 31, 2019 to RMB1.2 million as of December 31, 2020, and subsequently increased significantly to RMB16.3 million as of December 31, 2021. The fluctuations were primarily due to delays in delivery logistics for certain customers that made prepayments in light of COVID-19 situation.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2021, we had RMB7,103.0 million in cash and cash equivalents. Our cash and cash equivalents primarily consist of cash at banks under RMB and USD denominations.

Our operating cash flow for the year ended December 31, 2020 was RMB834.1 million, compared with RMB656.5 million for the year ended December 31, 2019. Our operating cash flow for the year ended December 31, 2021 was RMB692.4 million.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	For the Year Ended December 31,		
	2019	2020	2021
	(RMB in thousands)		
Operating profit before changes in working capital	678,596	828,248	965,823
Working capital changes	37,366	127,010	(55,165)
Income taxes paid	(59,505)	(121,134)	(218,257)
Net cash generated from operating activities	656,457	834,124	692,401

	For the Year Ended December 31,		
	2019	2020	2021
	(RMB in thousands)		
Net cash (used in)/generated from investing activities	(589,846)	(521,119)	1,563,266
Net cash (used in)/generated from financing activities	(2,164)	(17,523)	4,475,544
Net increase in cash and cash equivalents	64,447	295,482	6,731,211
Cash and cash equivalents at the beginning of the year	7,876	72,323	367,805
Effect of foreign exchange rate changes	–	–	3,984
Cash and cash equivalents at the end the year	**72,323**	**367,805**	**7,103,000**

Net cash flows generated from operating activities

Our cash from operating activities consists primarily of profit before income tax from our manufacture and sale of beauty and health products, as adjusted by (i) non-cash and other items and (ii) movements in working capital.

In 2021, our net cash generated from operating activities was RMB692.4 million. Our net cash generated from operating activities is calculated by adjusting our profit before tax of RMB972.9 million by non-cash and other items, such as equity-settled share award expense, depreciation of property, plant and equipment, and fair value gains on financial assets at FVTPL, to arrive at an operating profit before working capital changes of RMB965.8 million. Our movements in working capital mainly include (i) an increase in inventories of RMB24.6 million, (ii) an increase in prepayment and other receivables of RMB19.3 million, (iii) an increase in trade receivables of RMB11.2 million and (iv) a decrease in trade payables of RMB8.3 million, partially offset by (i) an increase in contract liabilities of RMB15.1 million and (ii) an increase in deferred income of RMB1.1 million. Our income tax paid in 2021 increased, compared to 2020, mainly because (i) we settled in 2021 the payment of tax payable from prior years' profits, as well as the income tax for the investment gains on financial assets at FVTPL realized in the last quarter of 2020; and (ii) we made provisional tax payments in relation to the profits generated in 2021.

In 2020, our net cash generated from operating activities was RMB834.1 million. Our net cash used in operating activities is calculated by adjusting our profit before tax of RMB973.2 million by non-cash and other items, such as fair value gains on financial assets at FVTPL, depreciation of property, plant and equipment, and interest income, to arrive at an operating profit before working capital changes of RMB828.2 million. Our movements in working capital mainly include (i) a decrease in amounts due from the related parties of RMB123.6 million, and (ii) an increase in other payables and accruals of RMB38.6 million, partially offset by (i) an increase in trade receivables of RMB37.5 million, and (ii) an increase in inventories of RMB14.4 million.

In 2019, our net cash generated from operating activities was RMB656.5 million. Our net cash used in operating activities is calculated by adjusting our profit before tax of RMB677.0 million by non-cash other items, such as interest income, depreciation of property, plant and equipment, and income from government grants related to assets, to arrive at an operating profit before working capital changes of RMB678.6 million. Our movements in working capital mainly include (i) an increase in amounts due from the related parties of RMB39.3 million, (ii) an increase in inventories of RMB9.6 million, and (iii) an increase in trade receivables of RMB5.3 million, partially offset by (i) a decrease in prepayment and other receivables of RMB60.4 million, and (ii) an increase in other payables and accruals of RMB20.5 million.

Net cash flows (used in)/from investing activities

In 2021, our net cash flows generated from investing activities were RMB1,563.3 million, primarily attributable to (i) proceeds from disposal of financial assets at FVTPL of RMB5,372.3 million, and (ii) repayment from the related parties of RMB201.3 million, partially offset by (i) purchases of financial assets at FVTPL of RMB3,925.1 million and (ii) purchases of property, plant and equipment of RMB75.0 million.

In 2020, our net cash flows used in investing activities were RMB521.1 million, primarily attributable to (i) purchases of financial assets at FVTPL of RMB5,084.4 million, (ii) loans to the related parties of RMB212.8 million, and (iii) purchases of property, plant and equipment of RMB75.5 million, partially offset by (i) proceeds from disposal of financial assets at FVTPL of RMB4,397.4 million, (ii) repayments from the related parties of RMB445.1 million, and (iii) interest received of RMB9.9 million.

In 2019, our net cash flows used in investing activities were RMB589.8 million, primarily attributable to (i) purchases of financial assets at FVTPL of RMB1,491.2 million, (ii) purchases of property, plant and equipment of RMB85.5 million, (iii) loans to the related parties of RMB45.8 million, and (iv) purchases of leasehold land of RMB29.3 million, partially offset by (i) proceeds from disposal of financial assets at FVTPL of RMB984.2 million, (ii) repayment from the related parties of RMB61.6 million, and (iii) interest received of RMB16.2 million.

Net cash flows (used in)/from financing activities

In 2021, our net cash flows generated from financing activities were RMB4,475.5 million, primarily due to the capital contribution from series A investors of RMB7,094.1 million, partially offset by (i) acquisition of interests in subsidiaries under common control of RMB68.3 million, and (ii) dividends paid. See "History, Reorganization and Corporate Structure – Pre-[**REDACTED**] Investments" for details of the above-mentioned capital contribution.

In 2020, our net cash flows used in financing activities were RMB17.5 million, primarily due to (i) the acquisition of non-controlling interests of RMB12.8 million, and (ii) the acquisition of interests in subsidiaries under common control of RMB12.2 million, partially offset by the capital injection into subsidiaries by Co-founders of RMB9.0 million.

In 2019, our net cash flows used in financing activities were RMB2.2 million, primarily due to the acquisition of interests in subsidiaries under common control of RMB8.2 million, partially offset by (i) the capital injection into subsidiaries by Co-founders of RMB5.0 million and (ii) the capital injection into a subsidiary by non-controlling interests of RMB1.0 million.

CAPITAL EXPENDITURES

For the years ended December 31, 2019, 2020 and 2021, our capital expenditure was RMB37.0 million, RMB28.2 million and RMB90.5 million, respectively. Our capital expenditures during the Track Record Period were primarily related to our purchases of property, plant and equipment and purchase of leasehold land. We funded our capital expenditure requirements during the Track Record Period primarily from cash generated from our operating activities.

COMMITMENTS

Capital Commitments

During the Track Record Period, our capital commitments were mainly plant, machinery and buildings. See Note 31 to the Accountant's Report included in Appendix I to this document.

The following table sets forth our capital commitments for the periods indicated:

	For the Year Ended December 31,		
	2019	**2020**	**2021**
	(RMB in thousands)		
Contracted, but not provided for:			
Plant and machinery	64,260	61,181	32,885
Buildings	10,274	10,274	4,075
Capital contribution to an associate	–	–	16,000
Total	**74,534**	**71,455**	**52,960**

INDEBTEDNESS

Borrowings

As of December 31, 2019, 2020 and 2021 and March 31, 2022, we did not have any borrowings or unutilized banking facilities.

Lease Liabilities

As of December 31, 2019, 2020 and 2021 and March 31, 2022, we did not recognize any lease liabilities.

Contingent Liabilities

As of December 31, 2019, 2020 and 2021 and March 31, 2022, we did not have any material contingent liabilities.

Indebtedness Statement

Except as disclosed above, as of March 31 2022, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since March 31, 2022 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

	For the Year Ended December 31,		
	2019	**2020**	**2021**
Gross profit margin(1)	83.3%	84.6%	87.2%
Net profit margin(2)	60.1%	69.4%	53.3%
Return on assets(3)	39.2%	37.2%	15.7%
Return on equity(4)	54.1%	102.7%	112.3%
Adjusted net profit margin(5)	60.1%	56.5%	53.9%
Adjusted return on assets(6)	39.2%	30.2%	15.9%
Adjusted return on equity(7)	54.1%	83.5%	113.5%
Current ratio(8)	2.3	1.1	1.1
Quick ratio(9)	2.2	1.0	1.1

Notes:

(1) Equals gross profit divided by revenue. See "– Description of Key Components of Our Results of Operations – Gross Profit and Gross Profit Margin."

(2) Equals profit for the year divided by revenue.

(3) Equals profit for the year divided by the average of the beginning and ending total assets for that year and multiplied by 100%.

(4) Equals profit for the year divided by the average of the beginning and ending total equity for that year and multiplied by 100%.

(5) Equals adjusted profit for the year (as a non-IFRS measure) divided by revenue, and is also a non-IFRS measure. See "– Non-IFRS Measure."

(6) Equals adjusted profit for the year divided by the average of the beginning and ending total assets for that year and multiplied by 100%.

(7) Equals adjusted profit for the year divided by the average of the beginning and ending total equity for that year and multiplied by 100%.

(8) Equals current assets divided by current liabilities as of the same date.

(9) Equals current assets less inventories and divided by current liabilities as of the same date.

Return on assets and adjusted return on assets

Our return on assets and adjusted return on assets decreased from 37.2% and 30.2% in 2020 to 15.7% and 15.9% in 2021, primarily due to an increase in our total assets attributable to the increase in cash and cash equivalents of RMB6,735.2 million.

Our return on assets and adjusted return on assets decreased from 39.2% and 39.2% in 2019 to 37.2% and 30.2% in 2020, primarily due to an increase in our total assets attributable to the increase in financial assets at FVTPL and cash and cash equivalents of RMB841.7 million and RMB295.5 million.

Return on equity and adjusted return on equity

Our return on equity and adjusted return on equity increased from 102.7% and 83.5% in 2020 to 112.3% and 113.5% in 2021, primarily due to an increase in our profit for the year attributable to our business growth and a decrease in the average of the beginning and ending total equity for 2021, compared to that for 2020.

Our return on equity and adjusted return on equity increased from 54.1% and 54.1% in 2019 to 102.7% and 83.5% in 2020, primarily due to our business growth and a significant decrease in our total equity attributable to the decrease in reserves of RMB689.7 million in 2020.

Current ratio

Our current ratio remained stable at 1.1x as of December 31, 2020 and 1.1x as of December 31, 2021.

Our current ratio decreased from 2.3x as of December 31, 2019 to 1.1x as of December 31, 2020, primarily due to an increase in our current liabilities attributable to an increase in dividend payables of RMB1,503.0 million, partially offset by an increase in our current assets attributable to an increase in financial assets at FVTPL of RMB841.7 million.

Quick ratio

Our quick ratio remained relatively stable at 1.0x as of December 31, 2020 and 1.1x as of December 31, 2021.

Our quick ratio decreased from 2.2x as of December 31, 2019 to 1.0x as of December 31, 2020, primarily due to an increase in current liabilities attributable to an increase in dividend payables of RMB1,503.0 million in 2020.

DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks, including foreign exchange risk, credit risk and liquidity risk. Our Group's principal financial instruments comprise cash and cash equivalents and financial assets at FVTPL. The main risks arising from our 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

Our Group has transactional currency exposures. Such exposures arise from currencies other than the units' functional currencies. See Note 35 to the Accountant's Report included in Appendix I to the document.

Credit Risk

Receivable balances are monitored on an on-going basis, and our Group's exposure to bad debts is not significant. At the end of each year of the Track Record Period, our Group had certain concentrations of credit risk as our cash and cash equivalents were deposited in few financial institutions. As at the end of each year of the Track Record Period, cash and cash equivalents were deposited in financial institutions of high quality without significant credit risk. There are no significant concentrations of credit risk within our Group on 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 deemed adequate by the management of our Group to finance the operations and mitigate the effects of fluctuations in cash flows. See Note 35 to the Accountant's Report included in Appendix I to the document.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into, nor do we expect to enter into, any off-balance sheet transactions. We also have not entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Related party transactions are set out in Note 32 to the Accountant's Report included in Appendix I to this document. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the view that we possess sufficient working capital, including sufficient cash and liquidity assets for the next 12 months from the date of the document, taking into account the cash and cash equivalent on hand, and the estimated net [**REDACTED**] received from the [**REDACTED**].

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to "Appendix II – Unaudited [**REDACTED**] Financial Information" for details.

[REDACTED] EXPENSES

The [**REDACTED**] expenses represent professional fees, [**REDACTED**] commission, and other fees incurred in connection with the [**REDACTED**]. We estimate that our [**REDACTED**] expenses will be approximately HK$[**REDACTED**] (including (i) [**REDACTED**] commission of approximately HK$[**REDACTED**], and (ii) non-[**REDACTED**] related expenses of approximately HK$[**REDACTED**], which consist of fees and expenses of legal advisors and Reporting Accountant approximately HK$[**REDACTED**] and other fees and expenses of approximately HK$[**REDACTED**], representing approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]) and no exercise of the [**REDACTED**]), of which approximately HK$[**REDACTED**] is directly attributable to the [**REDACTED**] of our Shares to the public and will be deducted from equity, and approximately HK$[**REDACTED**] is expected to be expensed upon the [**REDACTED**].

DIVIDEND AND DIVIDEND POLICY

In 2019, 2020 and 2021, our subsidiaries, namely Xi'an Giant Biogene, Shaanxi Giant Biotechnology, Xi'an Giant Medical Device and Shaanxi Giant Teyi, declared a dividend of RMB397.0 million, RMB1,504.5 million and RMB1,017.5 million, respectively. In 2020 and 2021, our aforementioned subsidiaries paid a dividend of RMB1.5 million and RMB2,550.0 million, respectively. As a result, we recorded dividend payables of RMB397.0 million, RMB1,900.0 million and RMB367.5 million in 2019, 2020 and 2021, respectively. No dividend has been paid or declared by our Company during the Track Record Period.

Our 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 our subsidiaries. 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 our subsidiaries 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 we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2021, we had retained profit of RMB118.5 million available for distribution to our Shareholders.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, except as disclosed elsewhere in this Document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2021, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this document, and there is no event since December 31, 2021 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this document.

DISCLOSURE REQUIRED UNDER LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.