Post Hearing Information Pack of

Giant Biogene Holding Co., Ltd

(Incorporated in the Cayman Islands with limited liability)

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(Incorporated in the Cayman Islands with limited liability)

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Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
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Nominal value	**:**	**US$0.00001 per Share**
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EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the [**REDACTED**].

There are risks associated with any investment. Some of the particular risks in investing in the [**REDACTED**] *are set out in "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

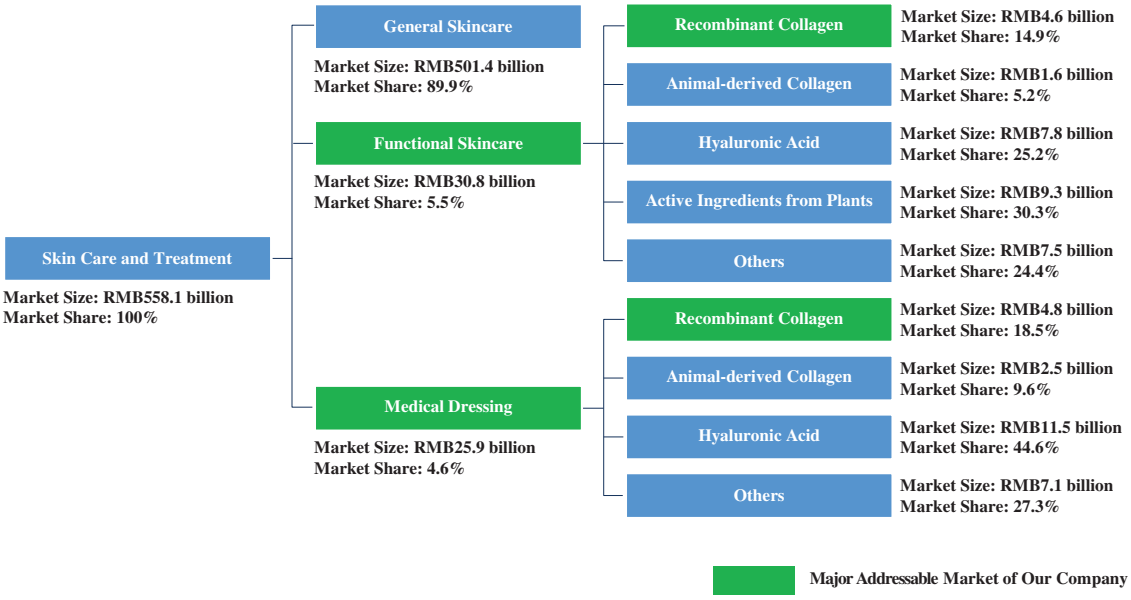
We are a leader in the bioactive ingredient-based professional skin treatment product industry in China. We design, develop and manufacture professional skin treatment products with recombinant collagen as the key bioactive ingredient. We also develop and manufacture rare ginsenosides technology-based functional foods. We utilize proprietary synthetic biology technology to develop and manufacture multiple types of recombinant collagen and rare ginsenosides in-house. Bioactive ingredients offer a wealth of beauty and health properties such as skin repair, anti-aging, whitening, moisturizing and immunity improvement with a broad range of applications in the beauty and health sectors.

The skin-related beauty sector[(1)] comprises (i) skin care and treatment, and (ii) skin rejuvenation applications. Further, skin care and treatment includes (i) general skincare, (ii) functional skincare and (iii) medical dressings, with the latter two constituting the professional skin treatment sector. The overall skin care and treatment market in China was very fragmented in 2021. See "– Market Landscape." According to Frost & Sullivan, our market share was approximately 1.1 % of China's overall skin care and treatment market in terms of retail sales in 2021. Within this market during the Track Record Period, we primarily focused on the professional skin treatment product market, including functional skincare products and medical dressings. Professional skin treatment products are used to address various skin issues, such as skin sensitivity, premature skin aging, chronic eczema and allergies, and can also be used for general skincare of consumers. China's overall professional skin treatment product market in terms of retail sales value was RMB56.6 billion in 2021. In addition, certain of our pipeline products target skin rejuvenation applications.

Note:

(1) The skin-related beauty sector is defined as products used for skin care and treatment and skin rejuvenation in China. See "Industry Overview – Overview of China's Collagen-based Product Market – Major Applications of Collagen in the Skin-related Beauty and Health Sectors."

The following chart sets forth the market size and market share of China's skin care and treatment market in 2021, including the major addressable markets of our Company during the Track Record Period:



Source: Frost & Sullivan

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. According to Frost & Sullivan:

- We were the second-largest professional skin treatment product company in China in 2021 with a retail sales value of RMB6.0 billion as well as the largest collagen-based professional skin treatment product company by retail sales in China for the latest three consecutive years since 2019;

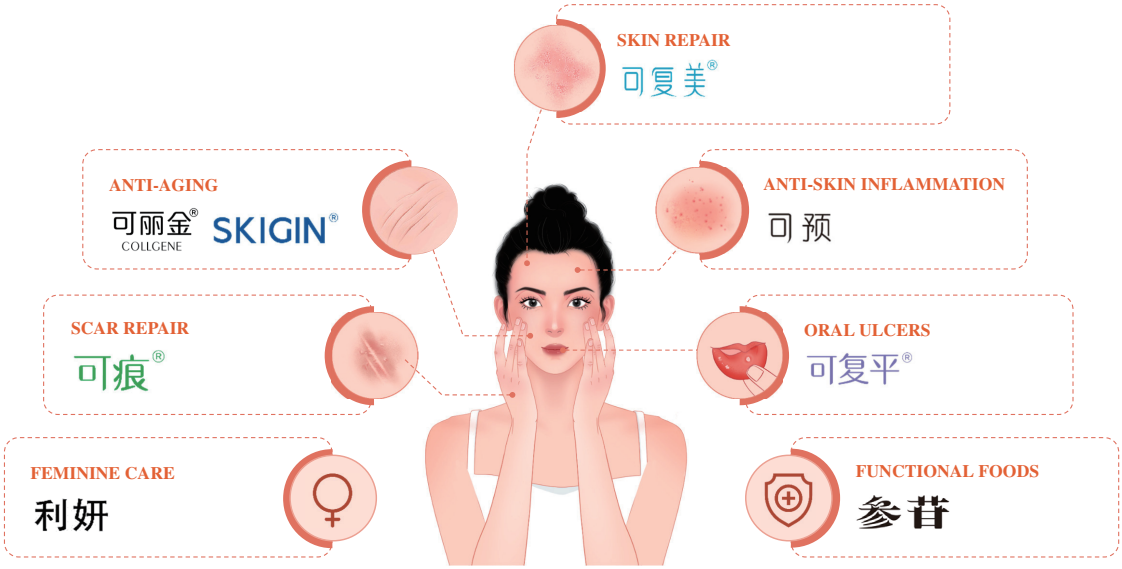
- *Collgene (可麗金)* and *Comfy (可復美)*, our flagship brands of recombinant collagen-based products, were the third and the fourth best-selling professional skin treatment brands, respectively, with a retail sales value of RMB2.9 billion and RMB2.7 billion, respectively, in China in 2021;

- Our proprietary recombinant collagen technology was the first in its field to be awarded a patent in China; and

- We are the first company to obtain a medical device registration for recombinant collagen-based product in China.

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, namely *Comfy, Collgene, Keyu, Kehen, Kefuping, Leeyen, SKIGIN, and Shengan*. The following graphics illustrate our major brand portfolio with respective key applications:

Our Major Brand Portfolio with a Broad Range of Applications



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. Our revenue increased from RMB520.6 million for the five months ended May 31, 2021 to RMB723.0 million for the same period in 2022. Moreover, our net profit amounted to RMB575.2 million, RMB826.5 million, RMB828.1 million and RMB313.6 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, with net margin of 60.1%, 69.4%, 53.3% and 43.4% during the same periods. The overall decline in our net margin during the Track Record Period was mainly attributable to the increase in online marketing expenses, resulting from the continuous expansion of our online sales channels as we increased spending on online sales and marketing activities on e-commerce platforms and social media platforms to follow industry trends and capture market opportunities. Our adjusted net profit (non-IFRS measure) amounted to RMB575.2 million, RMB827.1 million, RMB851.3 million and RMB336.1 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, with adjusted net profit margin (non-IFRS measure) of 60.1%, 69.5%, 54.8% and 46.5% during the same periods.

OUR BRANDS AND PRODUCTS

Leveraging our years of R&D, proprietary synthetic biology technology platform and leadership in bioactive ingredients, we have built an expanding, multi-brand portfolio of technology-based beauty and health products. Our brands and products are designed and developed to address evolving and diverse consumer needs across different skin types, application scenarios and consumer groups. As of the Latest Practicable Date, our professional skincare product and functional food portfolio comprised 105 SKUs across eight major brands.

With respect to our professional skincare products, our proprietary recombinant collagen serves as a common thread of technology-based beauty products and a key differentiator that sets us apart from our peers. We deploy different combinations of four types of recombinant collagen that we manufacture in-house, namely Type I recombinant human collagen, Type III recombinant human collagen, recombinant human-like collagen, and small-molecule recombinant collagen peptide in most of our professional skincare products. Different recombinant collagen has different functions on human skin.

With different combinations of the four types of recombinant collagen, we offer an array of professional skincare products. Our flagship brands, *Comfy* and *Collgene*, are our two longest-standing brands. Our leading brand *Comfy* was launched in 2011, initially as a dermatology-grade (with products of Class II medical device registration), professional skincare brand for medical institution customers and subsequently expanded to the mass consumer market. Products under the *Comfy* brand are specifically targeted consumers with skin repair needs, particularly those with problematic skin conditions such as sensitive skin and allergies. Our second leading brand, *Collgene*, was launched in 2009 as a mid-to-high end multi-faceted functional skincare brand with major benefits of anti-aging, skin maintenance and skin repair. Products under the *Collgene* brand are specifically targeted consumers with general skin maintenance needs. Both *Comfy* and *Collgene* products are generally formulated with different types of recombinant collagen so as to cater for their respective efficacies.

In addition, we also offer five additional major skincare brands and one functional food brand, providing consumers with multiple options to address their diverse skincare and nutritional needs:

- *Keyu*, a recombinant collagen-based brand designed for the relief and prevention of skin inflammatory conditions;
- *Kehen*, a recombinant collagen-based brand designed for scar repair;
- *Kefuping*, a recombinant collagen-based brand for the prevention and repair of oral ulcers;
- *Leeyen*, a recombinant collagen-based brand for feminine care;
- *SKIGIN*, a rare ginsenosides-based skincare brand; and
- *Shengan*, a ginsenosides-based functional food brand to offer consumers nutritional supplements to improve their immune systems.

The following table sets forth the top selling products under each of our major brands as of the Latest Practicable Date:

Brands	Year of Launch	Positioning	Top Selling Product(s)	Number of SKUs
Skin Care				
Comfy (可復美)	2011	Mid-to-high end	• Human-like Collagen Dressing	32 (three Class II[(1)] SKUs and one Class I[(1)] SKU)
Collgene (可麗金)	2009	Mid-to-high end	• Human-like Collagen Safety Repair Spray • *LIFTACTIV* Tightening Mask	59 (three Class II[(1)] SKUs)
Keyu (可預)	2015	Mid-to-high end	• Human-like Collagen Repair Dressing	Four (two Class II[(1)] SKUs)
Kehen (可痕)	2016	Mid-to-high end	• Human-like Collagen Scar Repair Gel	One (one Class II[(1)] SKU)
Kefuping (可復平)	2016	Mid-to-high end	• Human-like Collagen Oral Mucosa Repair Liquid	One (one Class II[(1)] SKU)
Leeyen (利妍)	2019	Mid-to-high end	• Carbomer Human-like Collagen Gynecological Gel	Three (one Class II[(1)] SKU)
SKIGIN (欣苷)	2019	High end	• Regenerate Cream	Four
Functional Foods				
Shengan (參苷)	2016		• Shengan Capsule	One

Note:

(1) Refers to medical device registration class. For production and marketing activities with respect to Class I medical devices, we are required by relevant PRC laws and regulations to hold (i) the Class I Medical Devices Filing Certificate (第一類醫療器械備案憑證), and (ii) the Class I Medical Device Manufacturing Filing Certificate (第一類醫療器械生產備案憑證). For the production and marketing activities with respect to Class II medical devices, we are required by relevant PRC laws and regulations to hold (i) the Medical Device Registration Certificate (醫療器械註冊證), (ii) the Medical Device Manufacturing Certificate (醫療器械生產許可證), and (iii) the Class II Medical Device Business Filing Certificate (第二類醫療器械經營備案憑證). We are also required to obtain the approvals for the advertisements of medical devices. In 2019, 2020, 2021 and the five months ended May 31, 2022, our revenue from medical dressings (classified as medical devices) amounted to RMB373.5 million, RMB401.6 million, RMB642.0 million and RMB270.8 million, respectively, which accounted for 39.0%, 33.7%, 41.4% and 37.4% of our total revenue in the relevant period.

Revenue by Product Category

During the Track Record Period, we generated revenue primarily from sale of products, 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,						For the Five Months Ended May 31,			
	2019		2020		2021		2021		2022	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands except for percentages)						*(Unaudited)*			
Professional skin treatment products	852,792	89.1	1,072,642	90.1	1,503,052	96.8	496,984	95.5	706,467	97.7
Functional foods and others	103,910	10.9	117,837	9.9	49,434	3.2	23,614	4.5	16,568	2.3
Total	**956,702**	**100.0**	**1,190,479**	**100.0**	**1,552,486**	**100.0**	**520,598**	**100.0**	**723,035**	**100.0**

The table below sets forth the revenue and gross profit margin of our flagship brands, namely *Comfy* and *Collgene*, for the periods indicated:

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2019		2020		2021		2021		2022	
	Revenue	*Gross Margin (%)*	*Revenue*	*Gross Margin (%)*	*Revenue*	*Gross Margin (%)*	*Revenue*	*Gross Margin (%)*	*Revenue*	*Gross Margin (%)*
	(RMB in thousands except for percentages)						*(Unaudited)*			
Comfy	289,541	88.5	421,319	87.0	897,728	88.7	262,907	87.4	428,363	86.5
Collgene	481,421	82.1	559,398	85.4	525,942	84.9	202,013	84.9	238,421	81.4
Total	**770,962**	**84.5**	**980,717**	**86.1**	**1,423,670**	**87.3**	**464,920**	**86.3**	**666,784**	**84.7**

Our overall growth in revenue during the Track Record Period was primarily driven by the sales of professional skin treatment products, which increased both in absolute amount and as a percentage of our total revenue. Revenue contribution from products under the *Comfy* brand consistently increased throughout the Track Record Period, while revenue contribution from products under the *Collgene* brand and functional foods and others decreased, primarily driven by (i) substantial growth from *Comfy* as we devoted more resources in *Comfy's* online sales which outperformed the sales of other brands; (ii) a decrease in sales volume of products under *Collgene* mainly as a result of the decreased procurement by our largest customer, namely Xi'an Chuangkecun, in 2021, including (1) Xi'an Chuangkecun's decline in sales in 2021 as a result of its reduced promotion efforts and marketing expenses (as compared to 2020) to focus on its profitability instead of business scale, and (2) the reduced sales of Human-like Collagen Crystal Brightening Intensive Ampoule due to changes in consumer preferences as such packaging was out of consumers' favor due to its less user-friendly way of application; and (iii) the decreased revenue contribution from functional foods and others due to the discontinued sales of products with comparatively lower profit margins. *Comfy* and *Collgene* will remain as our flagship brands in the future with increased brand investment over time, and we expect these brands to continue to grow. For example, we experienced sales growth of *Collgene* brand in the five months ended May 31, 2022 compared to the same period in the previous year as a result of the increased investment in direct sales effort on *Collgene* branded products and continued rolling out of new SKUs under *Collgene* brand. Functional foods and others will also remain an integral part of our business portfolio, and we expect sales from this product category to grow over time based on our plan to (i) further enhance the sales of Shengan Capsule with increased sales and marketing efforts, and (ii) expand our portfolio of functional foods and others.

Gross Profit and Gross Profit Margin by Product Category

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

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2019		2020		2021		2021		2022	
	Gross profit	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*
	(RMB in thousands except for percentages)									
							(Unaudited)			
Professional skin treatment products	722,774	84.8	925,741	86.3	1,312,102	87.3	427,648	86.0	600,436	85.0
Functional foods and others	73,938	71.2	81,328	69.0	42,235	85.4	19,973	84.6	14,217	85.8
Total	**796,712**	**83.3**	**1,007,069**	**84.6**	**1,354,337**	**87.2**	**447,621**	**86.0**	**614,653**	**85.0**

The gross profit margins for our professional skin treatment products remained relatively stable at 84.8%, 86.3%, 87.3% and 85.0% in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. The gross profit margins for functional foods and others remained relatively stable at 71.2% in 2019 and 69.0% in 2020, then subsequently increased to 85.4% in 2021, primarily due to the reduced sales of products with comparatively lower gross margins, such as beverage and fiber supplements. The gross profit margin for functional foods and others remained relatively stable at 84.6% and 85.8% for the five months ended May 31, 2021 and 2022, respectively.

OUR BUSINESS MODEL

Dual-Pronged "Medical Institution + Mass Consumer" Sales Strategy

We implement dual-pronged "medical institution + mass consumer" sales strategy targeting both medical institutions and mass market. As of the Latest Practicable Date, we had sold and distributed products to over 1,000 public hospitals, approximately 1,700 private hospitals and clinics, as well as approximately 300 pharmacy chain brands across China. In addition, we have also built a nationwide mass market sales network through direct sales and distributors. Our direct sales primarily include sales through direct-to-customer ("**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 Vipshop, which resell our products to customers through their online retail platforms. Our mass market distribution covers individual consumers, cosmetic store chains and supermarket chains such as Watsons, Afiona, The COLORIST, Ole', Hualian Group and Hema Fresh with approximately 2,000 stores in China.

Revenue by Sales Channel

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 December 31,						For the Five Months Ended May 31,			
	2019		2020		2021		2021		2022	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except percentages)						*(Unaudited)*			
Direct sales										
– Online direct sales through our DTC stores	156,136	16.3	274,181	23.0	574,065	37.0	150,005	28.8	265,086	36.7
– Online direct sales to e-commerce platforms	1,947	0.2	32,977	2.8	70,097	4.5	23,696	4.6	49,786	6.9
– Offline direct sales	34,670	3.6	23,825	2.0	45,390	2.9	11,362	2.2	21,001	2.9
Subtotal	**192,753**	**20.1**	**330,983**	**27.8**	**689,552**	**44.4**	**185,063**	**35.6**	**335,873**	**46.5**
Sales to distributors	**763,949**	**79.9**	**859,496**	**72.2**	**862,934**	**55.6**	**335,535**	**64.4**	**387,162**	**53.5**
Total	**956,702**	**100.0**	**1,190,479**	**100.0**	**1,552,486**	**100.0**	**520,598**	**100.0**	**723,035**	**100.0**

Our online direct sales target the mass market, whilst the revenue from our offline direct sales includes those to medical institutions, which was very limited during the Track Record Period. The majority of the revenue from our sales to distributors was attributable to those for the mass market, and to a lesser extent, medical institutions. Our sales via distributors to medical institutions were affected in 2020 due to the COVID-19 pandemic, which subsequently recovered in 2021 and thereafter.

During the Track Record Period, we devoted significant resources in online marketing activities so as to follow industry trends and capture market opportunities. As a result, our online direct sales outgrew the growth in sales to distributors and the revenue contributions by online direct sales increased from 16.5% in 2019 to 41.5% in 2021 and further increased to 43.6% in the five months ended May 31, 2022. Therefore, despite our modest growth in sales to distributors during the Track Record Period, the revenue contributions by sales to distributors decreased from 79.9% in 2019 to 55.6% in 2021 and further decreased to 53.5% in the five months ended May 31, 2022. As of December 31, 2019, 2020, 2021 and May 31, 2022, we maintained business relationships with 299, 374, 406 and 385 distributors across China, respectively. Our direct sales, especially online direct sales, will be the priority of our future sales and marketing efforts. Therefore, the revenue contribution from our direct sales, especially online direct sales, is expected to increase, whilst the revenue contribution from our sales to distributors will decrease in the future.

Gross Profit and Gross Profit Margin by Sales Channel

Our overall gross profit margin improved throughout the Track Record Period, which was primarily driven by our growth in our online direct sales. The following table sets forth our gross profit and gross profit margin by sales channel for the periods indicated:

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2019		2020		2021		2021		2022	
	Gross profit	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*
	(RMB in thousands except for percentages)						*(Unaudited)*			
Direct sales										
– Online direct sales through our DTC stores	144,325	92.4	250,635	91.4	517,260	90.1	136,754	91.2	234,822	88.6
– Online direct sales to e-commerce platforms	1,784	91.6	29,909	90.7	66,732	95.2	22,399	94.5	46,445	93.3
– Offline direct sales	29,568	85.3	21,035	88.3	37,275	82.1	9,640	84.8	16,672	79.4
Sales to distributors	621,035	81.3	705,490	82.1	733,070	85.0	278,828	83.1	316,714	81.8
Total	**796,712**	**83.3**	**1,007,069**	**84.6**	**1,354,337**	**87.2**	**447,621**	**86.0**	**614,653**	**85.0**

Our gross profits from direct sales were mainly generated from our online direct sales. The gross profits from our offline direct sales include those to medical institutions which was very limited during the Track Record Period. The majority of the gross profits from our sales to distributors were attributable to those for the mass market, and to a lesser extent, medical institutions. Our gross profits generated through sales via distributors to medical institutions were affected in 2020 due to the COVID-19 pandemic, which subsequently recovered in 2021 and thereafter.

Branding and Marketing

We implement our science- and knowledge-driven marketing philosophy through multiple channels, primarily including (i) academic engagements with the medical community and professionals through professional knowledge sharing sessions, (ii) online marketing activities, and (iii) offline marketing activities. In 2019, 2020, 2021 and the five months ended May 31, 2022, we had cooperated with 2, 25, 36 and 40 KOLs, respectively, in relation to our marketing activities, each of which generated a sale amount of more than RMB100,000. During the Track Record Period and up to the Latest Practicable Date, to our best knowledge and available public information, some of the KOLs, including certain industry-leading KOLs, that we collaborated with had been under regulatory scrutiny and were suspended from KOL activities. Whilst we are aware of such incidents, there had been no material adverse impact on our business operations and financial performance. See "Risk Factors – Risks Relating to Our Business and Industry – If our employees, distributors, customers, suppliers or other business partners engage in illegal, fraudulent, improper or unethical conduct, such as bribery and corruption, we may be subject to potential liability and negative publicity, and our reputation as well as business could be harmed."

Pricing Policy

We implement a competitive and effective pricing policy that complies with the relevant laws and regulations. The prices of our products did not experience material fluctuations in the past. We proactively monitor the final retail price to the end consumers via various sales channels and generally endeavor to maintain the final retail price range to end consumers at similar levels. See "Business – Sales, Distribution and Marketing – Pricing Policy." The gross profit margins for our direct sales are generally higher than that for our sales to distributors, due to the greater discounts offered to our distributors given their large purchase volumes.

RESEARCH AND DEVELOPMENT

We are committed to investing in R&D, which are pivotal to our success to date. Our R&D activities focus on (i) the continued fundamental research and advancement of our proprietary synthetic biology technologies to design, develop and manufacture various types of recombinant collagen, rare ginsenosides and other bioactive ingredients which can be used for our current and future products, and (ii) the development and launch of new products to expand our product portfolio. As of May 31, 2022, we had an R&D team of 124 members, representing 14.8% of our total employees.

We design and develop recombinant collagen, rare ginsenosides and other bioactive ingredients with our proprietary synthetic biology technology, and we have achieved a number of technological breakthroughs in the manufacturing of bioactive ingredients. Leveraging high-density fermentation strategy and a highly efficient separation and purification process, we have resolved the efficiency issue that previously hindered the commercialization of recombinant collagen. See "Business – Our Strengths – Powerful end-to-end manufacturing platform to cement our technology-enabled products and to meet consumers' dynamic demand in a timely manner." We believe our synthetic biology technology is hard to replicate as it has integrated years of cross-disciplinary research and accumulated know-how on biotechnology, biochemistry and bioengineering encompassing the core components such as gene recombination, cell factory construction, fermentation, separation and purification. We have built a diversified and expanding product portfolio for a wide group of consumers across application scenarios on top of our synthetic biology technology platform. See "Business – Research and Development."

We have built a diversified product pipeline to meet the growing market demand for our products. As of the Latest Practicable Date, our product pipeline included 103 product candidates, comprising 50 functional skincare products, 37 medical dressings and four skin rejuvenation products under our beauty product portfolio, as well as two biomedical products, seven functional foods and three food products for special medical purposes under our health product portfolio.

The following table sets forth the key information for the major products under our beauty product pipeline, including the R&D progress by developmental stage, as of the Latest Practicable Date:

Product	Product Category	Developmental Stage				Expected Medical Device Registration Certificate	Estimated Approval
		Product Development	Product Conversion	Type Testing	Product Registration		
Functional Skincare Products	Functional skincare	Currently developing 50 new functional skincare products[1]					
Medical Wound Repair Gel	Medical dressings					Class II	Approval obtained in June 2022
Spray Dressing for Skin Repair	Medical dressings					Class II	2022 Q4
Recombinant Collagen Sterile Dressing	Medical dressings					Class II	2023 Q4
Recombinant Collagen Gynecological Repair Dressing (For External Use)	Medical dressings					Class II	2023 Q4
Recombinant Collagen Anorectal Gel	Medical dressings					Class II	2023 Q4
		Developmental Stage					
		Product Development	Type Testing	Clinical Stage	Product Registration		
Recombinant Collagen Skin Rejuvenation Serums	Skin rejuvenation products					Class III	2024 Q1
Recombinant Collagen Skin Rejuvenation Freeze-Dried Powder	Skin rejuvenation products					Class III	2024 Q1
Recombinant Collagen Skin Rejuvenation Gels	Skin rejuvenation products					Class III	2025 1H
Cross-linking Recombinant Collagen Skin Rejuvenation Gels	Skin rejuvenation products					Class III	2025 1H

Note:

(1) As of the Latest Practicable Date, we had 39 product candidates of functional skincare products in the product development stage, three in the product conversion stage, seven in the type testing stage, and one remained pending for their respective product registration approval. We are expected to file for 48 product candidates with Shaanxi Medical Products Administration by 2023, and obtain the approvals for the remaining two from NMPA by 2024.

For our health product pipeline, we are developing other biomedical material products, functional foods and foods for special medical purposes. For biomedical material products, the bone repair materials and absorbable biofilms represent two key pipeline products. As of the Latest Practicable Date, we were conducting clinical trials for our bone repair materials and expect our clinical trials to be completed by 2023. We anticipate submitting our product registration applications to the NMPA by 2023, with a view to receive product approvals in 2024. Our absorbable biofilms are expected to be registered as a Class III medical device. As of the Latest Practicable Date, our absorbable biofilms were at the pre-clinical product development stage, which we expect to commence clinical trials in 2023.

We were developing seven functional foods primarily for boosting immune systems, reducing blood lipid and blood sugar level and improving sleep, and three food products for special medical purposes as of the Latest Practicable Date. Our key functional food product candidate is *Panax Notoginseng* and Red Rice Tablets (三七紅曲片). As of the Latest Practicable Date, we completed in-human studies for our *Panax Notoginseng* and Red Rice Tablets and submitted our product registration application to the SAMR in 2020, which was subsequently accepted in the same year. We expect to receive the product approval after 2023.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include individual consumers, e-commerce platforms, hospitals, clinics, pharmacy chains, cosmetic store chains, supermarkets chains as well as our distributors. Revenue generated from our largest customer in each period during the Track Record Period amounted to RMB499.3 million, RMB586.9 million, RMB454.5 million and RMB180.7 million, accounting for 52.2%, 49.3%, 29.3% and 25.0%, respectively, of our total revenues during the respective period. Revenue generated from our five largest customers for the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, accounted for 58.9%, 55.5%, 38.7% and 38.3%, respectively, of our total revenues during those periods. The composition of our five largest customers was evolving throughout the Track Record Period. See "Business – Our Customers."

Our suppliers primarily include DTC store operating services providers, construction services providers, packaging material suppliers and raw materials suppliers. Purchases from our largest supplier in each period during the Track Record Period amounted to RMB28.4 million, RMB28.9 million, RMB25.1 million and RMB28.7 million, accounting for 9.3%, 7.2%, 4.6% and 8.9%, respectively, of our total purchase amount during the respective period. Purchases from our five largest suppliers for the years ended December 31, 2019, 2020, 2021

and the five months ended May 31, 2022 accounted for 29.2%, 20.5%, 15.8% and 21.5%, respectively, of our total purchase amount during those periods. The composition of our five largest suppliers was evolving throughout the Track Record Period. See "Business – Our Suppliers."

Relationship with the Largest Customer

We commenced transacting with Xi'an Chuangkecun in 2015, which mainly purchases our skincare products and functional foods and sells the same through its own sales channels. Mr. Yan, our Co-founder, executive Director, chairman of the Board and chief executive officer, together with Shaanxi Giant Biotechnology, a subsidiary of our Company, were the only shareholders of Xi'an Chuangkecun at the time of its incorporation in 2015. Mr. Yan transferred all his equity interests in Xi'an Chuangkecun to Mr. Zhang Bing in September 2017. Mr. Zhang Bing, a shareholder of Xi'an Chuangkecun, was a director of Xi'an Giant Biogene from September 2009 to May 2020. Shaanxi Giant Biotechnology transferred all its equity interests in Xi'an Chuangkecun to Mr. Ma Xiaoxuan in September 2017. Mr. Ma Xiaoxuan, a shareholder, director and general manager of Xi'an Chuangkecun, was a general manager of Xi'an Giant Biogene and resigned from our Group in May 2019. Mr. Zhang Bing and Mr. Ma Xiaoxuan resigned from our Group in order to focus on the business of Xi'an Chuangkecun. See "Business – Our Customers – Our Relationship with Xi'an Chuangkecun."

We have entered into a standard distributorship agreement with Xi'an Chuangkecun. Our Directors are of the view that the transactions with Xi'an Chuangkecun during the Track Record Period and up to the Latest Practicable Date were conducted on normal commercial terms and the pricing policy adopted for such transactions as well as the contract terms we offered were comparable to those of the similar transactions with other major customers. See "Business – Our Customers – Our Relationship with Xi'an Chuangkecun" for the salient terms of our agreements with Xi'an Chuangkecun.

As our business relationship with Xi'an Chuangkecun is mutually beneficial, it was and will continue to be an important distributor to us. We endeavor to diversify our customer base by expanding our direct sales channels and our distributor base. We have been enhancing our direct sales and marketing efforts, in particular our online marketing efforts, so as to increase the revenue contributions by our direct sales, and will also increase our sales to other distributors by launching new product categories to our existing distribution network for them to sell more of our pipeline products. In addition, we will also further expand our distributor base across China, in particular the northwest and south central regions of China and the medical institutions coverage. We believe the revenue contribution from Xi'an Chuangkecun is expected to further decrease in terms of the percentage of our total revenue in the future. See "Risk Factors – Risks Relating to Our Business and Industry – We depend on our distributors for a large portion of our total revenue, over whom we have limited control, during the Track Record Period, which exposes us to significant concentration risk."

MARKET LANDSCAPE

China's skin care and treatment market grew from RMB317.2 billion in 2017 to RMB558.1 billion in 2021 by retail sales value, and is expected to further grow to RMB1,159.7 billion in 2027. Within the skin care and treatment market, China's overall professional skin treatment product market grew from RMB20.0 billion in 2017 to RMB56.6 billion in 2021 by retail sales value, and is expected to further grow to RMB309.7 billion in 2027. In addition, China's bioactive ingredient-based professional skin treatment product market grew from RMB12.1 billion in 2017 to RMB44.4 billion in 2021 by retail sales value, and is expected to further grow to RMB281.0 billion in 2027. Within the bioactive ingredient-based professional skin treatment product market, China's recombinant collagen-based professional skin treatment product market grew from RMB1.2 billion in 2017 to RMB9.4 billion in 2021 by retail sales value, and is expected to further grow to RMB90.1 billion in 2027.

Among the bioactive ingredients used for skin-related beauty products, hyaluronic acid, active ingredients from plants and collagen all enjoy the established popularity and wide acceptance. The advantage of collagen over hyaluronic acid and active ingredients from plants is its efficacy in skin repair and anti-aging. Furthermore, recombinant collagen has inherent advantages over animal-derived collagen, which include higher level of bioactivity and biocompatibility, lower level of immunogenicity, lower risk of undetected pathogens, better water solubility, free from cytotoxicity, the ability to be further processed and optimized, and easier for transportation and storage. In addition, the strong efficacy to address the increase in problematic skin conditions, heightened consumer awareness in the technological background of recombinant collagen, development of online sales and marketing channels, favorable policies and regulations and technological advancement in synthetic biology are driving the increasing level of penetration rate of recombinant collagen in professional skin treatment product market. As a result, the sub-segment of recombinant collagen-based professional skin treatment products is expected to have a higher growth rate than professional skin treatment products based on other bioactive ingredients from 2022 to 2027. See "Industry Overview – Overview of China's Collagen-based Product Market" for further information on market landscape.

Professional skin treatment products include (i) functional skincare products and (ii) medical dressings. China's functional skincare product market grew from RMB13.3 billion in 2017 to RMB30.8 billion in 2021, and is expected to further increase to RMB211.8 billion in 2027. China's medical dressing market grew from RMB6.7 billion in 2017 to RMB25.9 billion in 2021, and is expected to further increase to RMB97.9 billion in 2027. The top five professional skin treatment companies accounted for 44.7% of professional skin treatment product market in China by retail sales value in 2021, among which our Company ranked second with a market share of 10.6%.

Compared to general skincare products, developing, producing and selling professional skin treatment products require more differentiated technologies and ingredients, and such accumulated know-hows and specialized expertise create higher barriers-to-entry. The concentration in the professional skin treatment market is relatively high because the leading market players have accumulated competitive advantages in research and development (especially in the bioactive ingredients), product development, sales channels and brand image, among others, leading to better sales performance than other market players.

OUR STRENGTHS

We believe the following competitive strengths contribute to our success:

- A leader in bioactive ingredient-based professional skin treatment product industry in China to capture the fast-growing and significant market opportunities;
- Well-recognized technology-based beauty brands with a diversified and expanding product portfolio;
- Track record of converting R&D capabilities to successful commercial ventures;
- Innovative product pipeline centered around increasing consumer demand for technology-based beauty and health products to drive future growth;
- Synergistic omni-channel sales and distribution network with dual-pronged "medical institution + mass consumer" sales strategy;
- Powerful end-to-end manufacturing platform to cement our technology-enabled products and to meet consumers' dynamic demand in a timely manner; and
- Dedicated and experienced founders and management team.

OUR STRATEGIES

We strive to solidify our market leadership and will pursue the following strategies:

- Enrich technology-based beauty and health product portfolio;
- Strengthen R&D capabilities and technological leadership position;
- Expand sales and distribution network and enhance brand recognition;
- Enhance manufacturing capabilities and improve production efficiencies;
- Further intelligentize and digitalize our operations; and
- Establish and expand our international footprint.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our Shares. Some of the major risks that we face include:

- Our business and future growth prospects rely on industry development and consumer demand for our products. If we fail to achieve and further promote our brand recognition and the widespread market acceptance of our products, or if we fail to grow or retain our customers or consumer base, our business, results of operations and financial condition may be materially and adversely affected;

- We are dependent on the sales of a limited number of brands. As the sales of our products rely on our brands and consumers' perception of our products, any damage to our brands such as negative news and product incidents or a failure to continue to promote our brands will lead to deterioration in the sales of our products;

- We depend on our distributors for a large portion of our total revenue, over whom we have limited control, during the Track Record Period, which exposes us to significant concentration risk;

- Our investment in R&D, including collaborations with third parties, may not generate expected outcomes;

- If our employees, distributors, customers, suppliers or other business partners engage in illegal, fraudulent, improper or unethical conduct, such as bribery and corruption, we may be subject to potential liability and negative publicity, and our reputation as well as business could be harmed; and

- Our products and any future products will be subject to ongoing or additional regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties. If we fail to comply with regulatory requirements or experience unanticipated problems with our products and/or product candidates, such as false advertising, efficacy-related misrepresentation claims, and failure to successfully complete the clinical trials, our prospects, business and results of operations could be adversely affected.

LEGAL PROCEEDINGS AND COMPLIANCE

As of the Latest Practicable Date, we were not involved in any litigations, legal proceedings or product claims that may materially and adversely affect our business operations. See "Business – Legal Proceedings and Compliance."

SUMMARY OF THE KEY FINANCIAL DATA

Summary of the Consolidated Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,			For the Five Months Ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in thousands)				
				(Unaudited)	
Revenue	956,702	1,190,479	1,552,486	520,598	723,035
Cost of sales	(159,990)	(183,410)	(198,149)	(72,977)	(108,382)
Gross profit	796,712	1,007,069	1,354,337	447,621	614,653
Selling and distribution expenses	(93,788)	(158,422)	(346,211)	(94,152)	(195,792)
Administrative expenses	(28,845)	(32,992)	(72,274)	(24,300)	(42,748)
Research and development costs	(11,400)	(13,381)	(24,954)	(8,055)	(14,241)
PROFIT BEFORE TAX	**676,996**	**973,242**	**972,917**	**342,016**	**368,499**
PROFIT FOR THE YEAR/PERIOD	**575,180**	**826,485**	**828,132**	**289,515**	**313,627**
Attributable to:					
Owners of the parent	552,260	826,450	828,132	289,515	313,627
Non-controlling interests	22,920	35	–	–	–
	575,180	**826,485**	**828,132**	**289,515**	**313,627**

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) 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.

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 (non-IFRS measure) 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 (non-IFRS measure) as net profit for the period adjusted by adding back equity-settled share award expense as it is non-cash in nature, and [**REDACTED**] expenses. The adjustments have been consistently made during the Track Record Period, and such adjustments comply with HKEX Guidance Letter 103-19.

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

	For the Year Ended December 31,			For the Five Months Ended May 31,
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
Reconciliation of profit to adjusted profit				
Profit for the year/period	575,180	826,485	828,132	313,627
Add:				
Equity-settled share award expense	–	592	16,487	6,925
[**REDACTED**] expenses	–	–	6,647	15,567
Adjusted profit for the year/period (non-IFRS Measure)	**575,180**	**827,077**	**851,266**	**336,119**
Adjusted net profit margin (non-IFRS Measure)	**60.1%**	**69.5%**	**54.8%**	**46.5%**

As we continue to expand our online sales channels, we have strategically devoted significant resources in online market activities so as to follow industry trends and capture market opportunities, and thus have achieved significant revenue growth during the Track Record Period. Such greater spending on online sales and marketing activities on e-commerce platforms and social media platforms resulted in an increase in online marketing expenses from RMB64.5 million in 2019 to RMB124.6 million 2020 and further to RMB306.1 million in 2021, and from RMB77.2 million for the first five months in 2021 to RMB178.9 million for the same period in 2022. Accordingly, such expenditures substantially contributed to an overall decline in adjusted net profit margins (non-IFRS measure) during the Track Record Period.

Our net profit increased throughout the Track Record Period. Our net profit increased from RMB575.2 million in 2019 to RMB826.5 million in 2020, primarily due to the increase in the revenue and gross profit generated from the sales of our professional skin treatment products. Our net profit increased slightly from RMB826.5 million in 2020 to RMB828.1 million in 2021, primarily due to the increase in our revenue and gross profit generated from the sales of our professional skin treatment products, partially offset by (i) the increase of RMB187.8 million in our selling and distribution expenses to enhance our online marketing activities, and (ii) the decrease of RMB117.3 million in our other net gains mainly as a result of a substantial one-time gain on the disposal of certain financial products in 2020. Our net profit also increased from RMB289.5 million for the five months ended May 31, 2021 to RMB313.6 million for the same period in 2022, primarily due to the increase in the revenue and gross profit generated from the sales of our professional skin treatment products.

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 service fees, e-commerce platform marketing expenses and social media marketing expenses. The increase in the selling and distribution expenses was mainly attributable to our online marketing expenses in relation to our enhanced online marketing activities driven by our business expansion. Our selling and distribution expenses have translated into growth in sales. Accordingly, our revenue arising from online direct sales increased by RMB486.1 million, from RMB158.1 million in 2019 to RMB644.2 million in 2021, while our online marketing expenses increased by RMB241.6 million, from RMB64.5 million in 2019 to RMB306.1 million in 2021. We have established a marketing evaluation model for measuring the effectiveness and conversion rates of its marketing activities such as hurdle rate for cost per mille (average cost of one thousand ad impression), cost per engagement and cost per click. We expect to continue to devote significant resources in online marketing activities in the future and use a prudent marketing strategy to ensure a profitable sales return. See "Business – Sales, Distribution and Marketing – Our Omni-channel Sales and Distribution Network" and "Financial information – Description of Key Components of Our Results of Operations – Selling and Distribution Expenses."

Consolidated Balance Sheet

The following table sets forth the consolidated balance sheets 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,			As of May 31,
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
Total current assets	1,458,255	2,284,098	7,441,322	1,276,352
Total non-current assets	338,682	367,010	436,886	481,293
Total current liabilities	626,054	2,173,890	6,843,042	158,826
Total non-current liabilities	19,434	19,215	18,355	19,565
NET CURRENT ASSETS	**832,201**	**110,208**	**598,280**	**1,117,526**
NET ASSETS	**1,151,449**	**458,003**	**1,016,811**	**1,579,254**
EQUITY				
Equity attributable to owners of the parent	1,147,698	458,003	1,016,811	1,579,254
Non-controlling interests	3,751	–	–	–
Total equity	**1,151,449**	**458,003**	**1,016,811**	**1,579,254**

Our net current assets increased by 86.8% from RMB598.3 million as of December 31, 2021 to RMB1,117.5 million as of May 31, 2022, primarily due to (i) a decrease of RMB6,264.6 million in other payables and accruals, and (ii) a decrease of RMB367.5 million in dividend payables, partially offset by a decrease of RMB6,180.8 million in cash and cash equivalents.

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 arising from our financing activities, and (ii) a decrease of RMB1,532.5 million in dividend payables in light of the dividend payments to our Shareholders, partially offset by (i) an increase of RMB6,269.0 million in other payables and accruals, (ii) a decrease of RMB1,432.7 million in financial assets at FVTPL, and (iii) a decrease of RMB201.3 million in amounts due from the related parties.

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 in light of the dividends declared in 2020, and (ii) a decrease of RMB353.6 million in the amounts due from the related parties resulting from the repayments in 2020, 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.

We had net assets of RMB1,151.4 million, RMB458.0 million, RMB1,016.8 million, and RMB1,579.3 million as of December 31, 2019, 2020, 2021 and May 31, 2022, respectively. Our net assets decreased by 60.2% from RMB1,151.4 million as of December 31, 2019 to RMB458.0 million as of December 31, 2020, primarily due to our net profit of RMB826.5 million, partially offset by dividends declared by the subsidiaries of RMB1,504.5 million in 2020. Our net assets increased by 122.0% from RMB458.0 million as of December 31, 2020 to RMB1,016.8 million as of December 31, 2021, primarily due to our net profit of RMB828.1 million, and capital contributions from Series A preferred shareholders of RMB7,094.1 million, partially offset by contractual obligation for redemption of ordinary shares of RMB6,359.8 million. Our net assets subsequently increased by 55.3% from RMB1,016.8 million as of December 31, 2021 to RMB1,579.3 million as of May 31, 2022, primarily due to our net profit of RMB313.6 million as well as capital contributions from Series A preferred shareholders of RMB241.9 million.

Summary of the Consolidated Statements of Cash Flows

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

	For the Year Ended December 31,			For the Five Months Ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in thousands)				
				(Unaudited)	
Net cash generated from operating activities	656,457	834,124	692,401	199,340	249,617
Net cash (used in)/generated from investing activities	(589,846)	(521,119)	1,563,266	1,260,979	(26,825)
Net cash (used in)/generated from financing activities	(2,164)	(17,523)	4,475,544	(1,520,000)	(6,361,147)
Net increase in cash and cash equivalents	64,447	295,482	6,731,211	(59,681)	(6,138,355)
Cash and cash equivalents at the beginning of the year/period	7,876	72,323	367,805	367,805	7,103,000
Effect of foreign exchange rate changes	–	–	3,984	–	(42,458)
Cash and cash equivalents at the end the year/period	**72,323**	**367,805**	**7,103,000**	**308,124**	**922,187**

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	For the Year Ended December 31,			For the Five Months Ended May 31,
	2019	2020	2021	2022
Gross profit margin	83.3%	84.6%	87.2%	85.0%
Net profit margin	60.1%	69.4%	53.3%	43.4%
Return on assets	39.2%	37.2%	15.7%	N/A
Return on equity	54.1%	102.7%	112.3%	N/A
Adjusted net profit margin (non-IFRS measure)	60.1%	69.5%	54.8%	46.5%
Current ratio	2.3	1.1	1.1	8.0
Quick ratio	2.2	1.0	1.1	7.5

See "Financial Information – Key Financial Ratios" for calculation of the above financial ratios.

DIVIDEND

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, RMB367.5 million and nil in 2019, 2020, 2021 and the five months ended May 31, 2022, 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 May 31, 2022, we had retained profit of RMB432.1 million available for distribution to our Shareholders.

PRE-[REDACTED] INVESTORS

In 2021 and 2022, we have engaged in Pre-[**REDACTED**] Investments with our Pre-[**REDACTED**] Investors. For further details of the identity and background of the Pre-[**REDACTED**] Investors and the principal terms of the Pre-[**REDACTED**] Investments, please see "History, Reorganization and Corporate Structure – Pre-[**REDACTED**] Investments" in this document.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Dr. Fan, our Co-founder, executive Director and chief scientific officer, will be interested in the voting rights of approximately [**REDACTED**]% of the issued share capital of our Company, comprising: (i) Shares held by Juzi Holding, which is wholly owned by Refulgence Holding, the holding vehicle for the benefit of FY Family Trust with Dr. Fan as the settlor and beneficiary, representing approximately [**REDACTED**]% of the issued share capital of our Company; (ii) Shares held by Dr. Fan through Healing Holding, representing approximately [**REDACTED**]% of the issued share capital of our Company; and (iii) Shares held by GBEBT Holding, a platform holding the underlying incentive Shares under the RSU Scheme for the benefit of the GB Employee Benefit Trust and the voting rights of which was entrusted with Dr. Fan, representing approximately [**REDACTED**]% of the issued share capital of the Company. Accordingly, Dr. Fan, Juzi Holding, Refulgence Holding, Healing Holding and GBEBT Holding constitutes a group of Controlling Shareholders upon completion of the [**REDACTED**].

Mr. Yan, our Co-founder, chairman of the Board, executive Director and chief executive officer, is the spouse of Dr. Fan. As such, Mr. Yan will also constitute a Controlling Shareholder of our Company upon completion of the [**REDACTED**].

RSU SCHEME

In order to promote the Group's development in the long run and attract and retain senior management team and core talents of the Group, the RSU Scheme was adopted by the Company on December 8, 2021. Pursuant to the RSU Scheme, the Company allotted and issued 19,000,000 Ordinary Shares to GBEBT Holding, a limited liability company incorporated in the BVI as a platform holding the underlying incentive Shares under the RSU Scheme, representing approximately 1.96% of the total issued share capital of the Company immediately before the [**REDACTED**]. GBEBT Holding is held by Trident Trust Company (HK) Limited, an independent trustee entrusted by the Company. The voting rights of GBEBT Holding in our Company has been entrusted with Dr. Fan. For further details about the RSU Scheme, see "Statutory and General Information – D. RSU Scheme" in Appendix IV.

SUMMARY OF LAWS AND REGULATIONS RELATED TO OUR PRODUCTS

Cosmetics (applicable to our functional skincare products)

The applicable regulations for cosmetics mainly include the Regulations on the Supervision and Administration of Cosmetics《化妝品監督管理條例》, the Measures for the Supervision and Administration of Production and Operation of Cosmetics (《化妝品生產經營監督管理辦法》), the Measures for the Administration of the Registration and Filing of Cosmetics 《化妝品註冊備案管理辦法》. See "Regulatory Overview – Regulations Relating to Cosmetic Products."

Medical Devices (applicable to our medical dressing products)

The applicable regulations for medical devices mainly include the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), the Measures for the Administration of Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》), the Good Clinical Practice for Medical Devices Trials (《醫療器械臨床試驗質量管理規範》). See "Regulatory Overview – Regulations Relating to Medical Devices Production and Operation."

Regulation Pathway for Our Product Pipeline

Before the launch of our products, we are required to file or obtain registration certificates under the applicable laws and regulations. Our 50 functional skincare products candidates are subject to the Supervision and Administration of Cosmetics (《化妝品監督管理條例》) and the Measures for the Administration of the Registration and Filing of Cosmetics (《化妝品註冊備案管理辦法》), pursuant to which, registration certificates or product filing must be obtained for cosmetics and new cosmetic materials. Our 37 medical dressing and four skin rejuvenation pipeline products are subject to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), pursuant to which, product filing is required for Class I medical devices, and registration certificates are required for Class II and Class III medical devices. As of the Latest Practicable Date, our pipeline included seven functional food products and three food products for special medical purposes, which are subject to the Administrative Measures for Functional Foods (《保健食品管理辦法》) and the Administrative Measures for the Registration and Filing of Functional Foods (《保健食品註冊與備案管理辦法》), pursuant to which, registration certificates or product filing must be obtained for any food claimed to have healthcare effects. See "Regulatory Overview – Regulations Relating to Cosmetic Products", "Regulatory Overview – Regulations Relating to Medical Devices Production and Operation" and "Regulatory Overview – Regulations Relating to Functional Food Business."

Summary of Regulations Relating to Sales of Our Products

We are subject to laws and regulations in relation to sales of our products, including the E-Commerce Law (《電子商務法》), the Measures for the Supervision and Administration of Online Trading (《網絡交易監督管理辦法》), the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and 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》), and the Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》). See "Regulatory Overview – Regulations Relating to Sales of Our Products." We have adopted measures to mitigate the risks relating to false advertising, and we have established an internal system relating to the compliance of our advertising activities.

The skin-related beauty sector has been under increased regulatory oversight in recent years. In particular, there is an increased focus on preventing false advertising, efficacy-related misrepresentations and illegal labeling for skin-related beauty products. In addition, products sold to distributors or medical institutions have been under regulatory scrutiny such as the compliance with applicable anti-corruption and anti-bribery laws in recent years. The continued or heightened regulatory oversight and scrutiny on the skin-related beauty sector may impact our business in the future.

Having taken into account that (i) as advised by our PRC Legal Advisors, we had obtained all licenses, permits and certificates necessary to conduct our operations in all material respects from the relevant government authorities in China, and we did not have material administrative penalties during the Track Record Period and up to the Latest Practicable Date; and (ii) we obtained compliance certificates from relevant authorities concerning our business operation, our Directors are of the view that our Company had complied with all applicable PRC laws and regulations that affect its business activities during the Track Record Period and up to the Latest Practicable Date in all material respects.

IMPACT OF THE COVID-19 PANDEMIC DURING THE TRACK RECORD PERIOD

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, due to the COVID-19 outbreaks in several provinces, 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. See "Financial Information – The Impacts of COVID-19 on Our Business" for further details on its impact on production, logistics and sales channels, and our preventive measures.

Due to the COVID-19 resurgence from December 2021 to May 2022, China took precautionary measures, such as travel restrictions, quarantines, remote working, cancellation of public events, and recommendations against travel for leisure, among others. As a result of the resurgence in Xi'an from December 2021 to January 2022, our production in Xi'an and our sales to distributors were adversely affected during the period. Whilst we experienced minor disruptions in relation to the logistics of raw materials, our inventories were sufficient to support our production and alternative suppliers were procured. Our customers in Xi'an were unable to receive deliveries in January 2022. However, as we have strategically maintained advanced stock up of our products with third-party warehouse and logistics service providers in three cities, the availability of our products for sales has not been materially affected by the suspension of production in December 2021. Since February 2022, our operations in Xi'an resumed to normal whilst still experiencing some logistics constraints in our deliveries to certain cities in China given the resurgence. From December 2021 to January 2022, our logistics fee rate increased by less than 10% during this period.

Due to the quarantine measures of certain major cities in China, we had difficulties in delivering products to Beijing and Shanghai from March to May 2022. The logistics fee rate for Beijing and Shanghai increased by approximately 85% during this period, as we engaged alternative courier service providers with higher charges to fulfill the orders to Beijing and Shanghai. Even though logistics fee rate increased in certain situations, there had not been material adverse impact on our results of operations and financial condition. The delays caused by the aforementioned logistics constraints resulted in unfulfilled or canceled orders of less than RMB3.0 million. We did not impose any penalty on our logistics partners as a result of such delays. In addition, we were unable to organize offline marketing in cities with restrictive measures at the relevant time, including Shanghai and Xi'an. Save for the aforementioned, our supply chain, production, online marketing activities and R&D activities remained largely unaffected by the resurgence as of the Latest Practicable Date.

RECENT DEVELOPMENTS

Our business continued to expand subsequent to the Track Record Period. Our revenue increased by 48.1% from RMB759.8 million in the seven months ended July 31, 2021 to RMB1,125.7 million in the same period in 2022. Our gross profit increased by 45.9% from RMB655.3 million in the seven months ended July 31, 2021 to RMB956.4 million in the same period in 2022. The foregoing selected unaudited financial data in relation to our revenue in the seven months ended July 31, 2022 is derived from our unaudited interim financial statements for the sevens months ended July 31, 2022. Our unaudited interim financial statements for the seven months ended July 31, 2022 have been reviewed by our reporting accountants in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the Independent Auditing and Assurance Standards Board ("**IAASB**").

The COVID-19 Resurgence

We are of the view that the COVID-19 pandemic did not have a material adverse effect on our business operations and financial performance as of the Latest Practicable Date. Our supply chain and production were, to the best of our knowledge, not materially impacted by the COVID-19 pandemic. Assuming the COVID-19 situation would not be materially intensified, we do not expect that COVID-19 pandemic would have a material adverse effect on our business operations and financial performance, considering (i) our healthy financial condition and cash flow; (ii) our measures to effectively manage COVID-19 related impact; and (iii) continued business growth up to the Latest Practicable Date. We are monitoring and will continue to closely monitor the development of such COVID-19 resurgence 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."

Regulatory Developments

Regarding the regulation of the cosmetics industry, the NMPA issued a notice on October 9, 2021 on the special action of "Tightening the Enforcement of the Cosmetics-Related Regulations on E-Commerce Platforms" (線上淨網線下清源) which is the continuation of the first phase of the same action issued by NMPA on September 25, 2020. The special action focuses on the regulation of cosmetics registration and filing, illegal labeling of cosmetics, and the regulation of cosmetics with quality and safety risks. The focus of such action is to ensure the smooth implementation of the Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》) and the related management measures. The special action was implemented with enhanced investigation and penalty from October 2021 to October 2022.

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, there has been no material adverse change in our financial or trading position or prospects since May 31, 2022, 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 May 31, 2022 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this document.

[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$[**REDACTED**] is directly attributable to the issue of our [**REDACTED**] to the public and will be deducted from equity, and approximately HK$[**REDACTED**] is expected to be expensed upon the [**REDACTED**].

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [**REDACTED**] has been completed and [**REDACTED**] are allotted and issued in the [**REDACTED**], (ii) the [**REDACTED**] is not exercised, and (iii) [**REDACTED**] Shares are issued and outstanding following the completion of the [**REDACTED**]:

	Based on an [REDACTED] of HK$[REDACTED] per Share	**Based on an [REDACTED] of HK$[REDACTED] per Share**
Market Capitalization	HK$[REDACTED]	HK$[REDACTED]
Unaudited [**REDACTED**] consolidated net tangible assets per Share[(1)]	HK$[REDACTED]	HK$[REDACTED]

Note:

(1) The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred in "Appendix II – Unaudited [**REDACTED**] Financial Information" in this document and on the basis that [**REDACTED**] Shares are issued and outstanding immediately following the completion of the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]).

USE OF [REDACTED]

Assuming that the [**REDACTED**] is not exercised, after deducting the [**REDACTED**] commissions and other estimated [**REDACTED**] expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] stated in this document), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**]. We intend to use our [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for the investment in our R&D to enlarge our R&D team through recruitment, expand our R&D facilities and conduct testing and validation studies;

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] for the expansion of manufacturing capacity with respect to our product portfolios and bioactive ingredients;

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to enhance our omni-channel sales and distribution network, and implement our science- and knowledge-driven marketing activities to enhance our brand recognition;

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for the enhancement of our operation and information systems, including (i) procurement of software and hardware, (ii) development of an integrated hybrid cloud infrastructure through investments in hardware such as servers and Internet services, and (iii) recruitment of IT specialists, including software developers and IT engineers; and

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for working capital and general corporate uses.

See "Future Plans and Use of [**REDACTED**]."

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, conditionally adopted on [●] with effect from the [**REDACTED**], and as amended from time to time, a summary of which is set out in Appendix III to this document
"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
"BVI"	the British Virgin Islands
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

[**REDACTED**]

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	A CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFSAN"	the Center for Food Safety and Applied Nutrition, a branch of the United States Food and Drug Administration
"Co-founder(s)"	Dr. Fan and Mr. Yan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company" or "the Company"	Giant Biogene Holding Co., Ltd, an exempted company incorporated in the Cayman Islands with limited liability on July 28, 2021
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Dr. Fan, Mr. Yan, Juzi Holding, Refulgence Holding, Healing Holding and GBEBT Holding
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Data Legal Advisor"	Guantao Law Firm, the legal advisor of our Company as to data compliance matters
"Director(s)"	director(s) of our Company
"Dr. Fan"	Dr. Fan Daidi (范代娣), our Co-founder, executive Director and chief scientific officer, and one of our Controlling Shareholders
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FDA"	the United States Food and Drug Administration
"GBEBT Holding"	GBEBT Holding Limited, a company incorporated under the laws of the BVI on October 20, 2021 with limited liability, an employee shareholding platform and one of our Controlling Shareholders

"Giant Beauty Holding"	Giant Beauty Holding Co., Ltd, a company incorporated under the laws of the BVI on July 30, 2021 and a wholly-owned subsidiary of the Company
"Giant Biogene Hong Kong"	Giant Biogene Hong Kong Limited, a company incorporated under the laws of Hong Kong on August 18, 2021 and a wholly-owned subsidiary of the Company

[**REDACTED**]

"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)
"Hainan Giant Biotechnology"	Hainan Giant Biotechnology Co., Ltd (海南巨子生物科技有限公司), a company incorporated under the laws of the PRC on March 25, 2020 and a wholly-owned subsidiary of the Company
"Healing Holding"	Healing Holding Co., Ltd, a company incorporated under the laws of the BVI on July 16, 2021 which is wholly owned by Dr. Fan, and one of our Controlling Shareholders
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

[**REDACTED**]

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"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)

[**REDACTED**]

"Hong Kong Share Registrar"	[**REDACTED**]
"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

[**REDACTED**]

"Hong Kong YaXin"	Hong Kong YaXin Holding Co., Limited, a company incorporated under the laws of Hong Kong on August 17, 2021 and a wholly-owned subsidiary of the Company
"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

[**REDACTED**]

[**REDACTED**]

"Joint Sponsors"	Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited
"Juzi Holding"	Juzi Holding Co., Ltd, a company incorporated under the laws of the BVI on July 27, 2021, and one of our Controlling Shareholders
"Latest Practicable Date"	September 30, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange

[**REDACTED**]

"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 Growth Enterprise Market of the Stock Exchange

"Memorandum" or "Memorandum of Associations"	The amended and restated memorandum of association of our Company, conditionally adopted on [●] with effect from the [**REDACTED**], and as amended from time to time, a summary of which is set out in Appendix III to this document
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Yan"	Mr. Yan Jianya (嚴建亞), our Co-founder, executive Director, chairman of the Board and chief executive officer, and one of our Controlling Shareholders
"Nanjing Human-like Biological Materials"	Nanjing Human-like Biological Materials Co., Ltd (南京類人生物材料有限公司), a company incorporated under the laws of the PRC on May 8, 2015 and a wholly-owned subsidiary of the Company
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NMPA"	the National Medical Products Administration of the PRC (中華人民共和國國家藥品監督管理局)

[**REDACTED**]

[**REDACTED**]

"Ordinary Shares" or "Shares"	ordinary shares in the share capital of the Company with a par value of US$0.00001 each

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	the People's Republic of China. For the purposes of this document only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"PRC Legal Advisors"	Jingtian & Gongcheng, the PRC legal advisors of our Company
"Preferred Shares"	collectively, Series A-1 Preferred Shares and Series A-2 Preferred Shares
"Pre-[**REDACTED**] Investments"	the Pre-[**REDACTED**] investments in our Company undertaken by the Pre-[**REDACTED**] Investors, details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this document
"Pre-[**REDACTED**] Investors"	the investors of the Pre-[**REDACTED**] Investments, details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this document

[**REDACTED**]

"document"	this document being issued in connection with the [**REDACTED**]
"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
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Refulgence Holding"	Refulgence Holding Limited, a company incorporated under the laws of the BVI on September 29, 2021, and one of our Controlling Shareholders
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the offshore and onshore reorganization as set out in section headed "History, Reorganization and Corporate Structure – Reorganization" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the RSU Scheme of our Company as approved on December 8, 2021, a summary of the principal terms of which is set out in "Statutory and General Information – D. RSU Scheme" in Appendix IV to this Document
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"SCNPC"	the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
"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
"Series A-1 Preferred Shares"	the series A-1 preferred shares in the share capital of the Company
"Series A-2 Preferred Shares"	the series A-2 preferred shares in the share capital of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"Shaanxi Giant Biotechnology"	Shaanxi Giant Biotechnology Co., Ltd, (陝西巨子生物技術有限公司), a company incorporated under the laws of the PRC on March 12, 2009 and a wholly-owned subsidiary of the Company
"Shaanxi Giant Teyi"	Shaanxi Giant Teyi Food Co., Ltd, (陝西巨子特醫食品有限公司), a company incorporated under the laws of the PRC on July 17, 2018 and a wholly-owned subsidiary of the Company
"Shaanxi Juyou Xingan"	Shaanxi Juyou Xingan Biotechnology Co., Ltd. (陝西巨悠欣苷生物科技有限公司), a company incorporated under the laws of the PRC on July 13, 2022 and a non-wholly owned subsidiary of the Company
"Shareholder(s)"	holder(s) of our Shares
	[REDACTED]
"State Council"	the State Council of the People's Republic of China (中華人民共和國國務院)

[**REDACTED**]

"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Track Record Period"	three financial years ended December 31, 2021 and five months ended May 31, 2022

[**REDACTED**]

"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"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
"WFOE"	a wholly foreign-owned enterprise
"Xi'an Chuangkecun"	Xi'an Chuangkecun Electronic Commerce Limited (西安創客村電子商務有限責任公司), a limited liability company incorporated under the laws of the PRC on April 17, 2015, and one of our major customers
"Xi'an Giant Biogene"	Xi'an Giant Biogene Technology Co., Ltd (西安巨子生物基因技術股份有限公司), a company incorporated under the laws of the PRC on May 8, 2000 and a wholly-owned subsidiary of the Company

"Xi'an Giant Medical Device"	Xi'an Giant Medical Device Co., Ltd (西安巨子醫療器械有限公司), a company incorporated under the laws of the PRC on March 11, 2019 and a wholly-owned subsidiary of the Company
"Xi'an Giant Medicine"	Xi'an Giant Medicine Co., Ltd (西安巨子醫藥有限公司), a company incorporated under the laws of the PRC on May 19, 2021 and a wholly-owned subsidiary of the Company
"Xi'an Xingan Biotechnology"	Xi'an Xingan Biotechnology Co., Ltd (西安欣苷生物技術有限公司), a company incorporated under the laws of the PRC on March 20, 2018 and a wholly-owned subsidiary of the Company
"Xi'an Zizai Yungu"	Xi'an Zizai Yungu Industrial Development Co., Ltd (西安自在雲谷實業發展有限公司), a company incorporated under the laws of the PRC on September 12, 2019 and a wholly-owned subsidiary of the Company

In this document, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

The following is a glossary of certain terms used in this document in connection with us and/or our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"absorbable biofilm"	an absorbable membrane made of biomedical materials, which is widely used for the recovery after oral implants and maxillofacial surgeries
"bacterial endotoxin"	a lipopolysaccharide component of the outer membrane of Gram-negative bacteria like E. coli, which is released after death and lysis of the bacteria and is toxic to the human body
"bioactive ingredient"	a substance that possesses specific biofunctions and bioactivity, and can be found in nature or produced by biotechnologies, specifically synthetic biology techniques
"biomedical material"	a bioactive material clinically used for the enhancement of wound healing and recovery after surgeries
"biotechnology"	the area of biology that uses living processes, organisms or systems to develop and manufacture products for the improvement of health and well-being
"biotransformation"	the biochemical conversion of substances, which is mediated by living organisms or enzymes
"blank-controlled trial"	a trial designed to compare an experimental group which has received the treatment, against a control group which has not received any treatment
"CAGR"	compound annual growth rate
"cell factory"	a microorganism genetically designed and constructed for efficient biosynthesis of products such as bioactive ingredients and biochemical compounds
"collagen"	a natural protein that provides structural support in the body including skin, a bioactive ingredient widely used in beauty and health products

"cross-linking"	the method to link one polymer chain to another, which is applied for the improvement of collagenous materials
"DTC store"	a direct-to-customer store, where a business sells the products directly to its end customers
"E. coli"	a Gram-negative bacterium widely used to construct cell factories
"fermentation"	a biological process carried out by mass culture of micro-organisms to produce desired products
"functional food"	a kind of food products with special ingredients to provide health benefits
"functional skincare product"	a skincare product designed with mild formula and active ingredients, which enhances skin health with proven benefits
"Generation Z"	the demographic cohort with the birth years between 1995 and 2010
"ginsenosides"	a class of glycosides that are the major active ingredients in ginseng and other Panax genus plants
"GMP"	the acronym for "Good Manufacturing Practice", which provides guidance and standard for manufacturing, testing and quality assurance of products
"high-end"	for a professional skin treatment brand, those with unit price of its major products being more than RMB500
"Human-like"	a type of recombinant collagen, which is synthesized through genetic engineering and mimics the genetic sequence of human collagen, as opposed to animal-derived collagen
"hyaluronic acid"	a biopolymer that are abundant in the human body, which is an important bioactive material used in beauty products for moisturization

"ISO13485"	a standard published by the International Organization for Standardization, which provides guidance on the design, production, installation and servicing of medical devices and related services
"ISO22716"	a standard published by the International Organization for Standardization, which provides guidance on good manufacturing practices for cosmetic products
"ISO9001"	the internationally recognized Quality Management System standard published by the International Organization for Standardization
"KOL(s)"	key opinion leader(s), person(s) who have expert knowledge and influence in a respective field
"MCN(s)"	multi-channel networks, which refer to the agencies that represent content creators, such as KOLs, and assist them in areas such as audience development, content programming, content creator collaborations, digital rights management, monetization and sales
"medical dressing"	an adjuvant therapeutic product for injuries, chronic eczema, allergies and skin repair needs following medical procedures, which are medical devices under the Product Classification Catalog of Medical Devices
"mid-to-high end"	for a professional skin treatment brand, those with unit price of its major products being between RMB150 and RMB500
"Millennials"	the demographic cohort with the birth years between 1980 and 1995
"non-inferiority trials"	a trial designed to demonstrate a new treatment is not worse than an existing treatment
"nutritional supplements"	a product intended to provide nutrients that may otherwise not be consumed in sufficient quantities
"pichia pastoris"	a unicellular fungus widely used to construct cell factories
"professional skin treatment product"	a product designed to address skin issues with special ingredients such as collagen, hyaluronic acid, plant extracts and ceramide

"prototype ginsenoside(s)"	a kind of ginsenosides that naturally exist in ginseng, including Ra, Rb, Rc, Rd, Re, and Rf
"rare ginsenoside(s)"	rarely found in nature, but can be derived from prototype ginsenosides by utilizing physical, chemical or synthetic biology techniques; rare ginsenosides have low molecular weight and high bioactivity. Examples of rare ginsenosides are Rg3, Rh2, Rk1, Rg5, Rk3, Rh4, Rk2, Rk3, CK and aPPD
"recombinant collagen"	a kind of functional protein that is produced by bioengineering
"repurchase rate"	calculated by dividing the number of customers who purchased our products twice or more in a year by the total number of customers who purchased our products over the same year
"R&D"	research and development
"skin rejuvenation application"	a non-surgical procedure intended to improve the appearance of skin by reducing the fine lines, wrinkles and other signs of premature skin aging
"SKU(s)"	stock keeping unit(s), to help identify and track inventories
"synthetic biology"	an interdisciplinary area that involves the application of engineering principles to biology, which aims at the design and fabrication of biological parts, devices and systems
"Yield"	a measurement of manufacturing productivity which compares the proportion of products produced (output) relative to the production input. Yield rates typically have an inverse relationship with unit cost, as higher yield rates indicate manufacturing efficiency.

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the market price of our Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth prospects rely on industry development and consumer demand for our products. If we fail to achieve and further promote our brand recognition and the widespread market acceptance of our products, or if we fail to grow or retain our customers or consumer base, our business, results of operations and financial condition may be materially and adversely affected.

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:

- 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;
- the progress of our R&D efforts, as well as when our products commence commercialization relative to competing products;
- the safety and efficacy of our products and product candidates, including but not limited to the prevalence and severity of adverse reactions, if any;

- pricing and cost effectiveness of our products relative to competing products;
- public perception, perceived advantages and brand recognition of our products over competing products; and
- effectiveness of our sales and marketing efforts and distribution network, as well as the general availability of our products relative to competing products.

If our products fail to achieve or maintain widespread market acceptance, particularly among mass consumers and medical institutions, or if we fail to maintain good relationships with them, our future prospects may be affected. In addition, if new products introduced by our competitors are perceived more favorably by our consumers or end-users, or are more cost-effective, or otherwise render our products obsolete, the market demand for our products may decline, and our business, results of operations and financial condition may be materially and adversely affected. Further, our brand recognition and product acceptance depends largely on our ability to respond to changes and trends in consumer demand and offer high quality products. If we fail to anticipate and respond appropriately to the ever-changing consumer trends and preferences, or if consumer preferences shift away from the products we develop, manufacture, and sell, our brands and results of operation and financial condition may be materially and adversely affected. We cannot assure you that our brand promotion activities and R&D efforts may be successful and contribute to our business growth, and the resulting benefits may not always justify the relevant expenditures. In the event the demand for our products fails to grow as rapidly as anticipated, our business and results of operations may also be materially and adversely affected.

We are dependent on the sales of a limited number of brands. As the sales of our products rely on our brands and consumers' perception of our products, any damage to our brands such as negative news and product incidents or a failure to continue to promote our brands will lead to deterioration in the sales of our products.

During the Track Record Period, the majority of our revenue was derived from our flagship brands, namely *Comfy (可復美)* and *Collgene (可麗金)*. In 2019, 2020, 2021 and the five months ended May 31, 2022, sales of professional skin treatment products under these two brands contributed to 80.6%, 82.4%, 91.7% and 92.2% of our total revenue, respectively. We expect that sales of such brands will continue to contribute a significant portion of our revenue in the near future. As the sales of our products rely on consumers' perception of our brands and products, any damage to our brands such as negative news and product incidents or a failure to formulate and execute our sales and marketing strategies and initiatives will lead to deterioration in the sales of our products. If we are unable to maintain the sales volumes, pricing levels and profit margins of products under these major brands, or if we are unable to increase the revenue from other brands, our revenue and profitability could be adversely affected. We cannot assure you that demand for such brands will continue to grow as anticipated. Nor can we assure you that we will be able to maintain our sales and profit margin for such brands, which may be adversely affected by many factors discussed in this section, including but not limited to changes in market acceptance and competition dynamics, technological advancements, price adjustments, introduction of substitute products, disruptions in manufacturing or sales, product defects or severe adverse events, expiration of patent protection, and disputes over intellectual property or other matters. If we are unable to maintain the sales growth of our major brands, our business, financial condition and results of operations may be materially and adversely affected.

We depend on our distributors for a large portion of our total revenue, over whom we have limited control, during the Track Record Period, which exposes us to significant concentration risk.

During the Track Record Period, a large portion of our products were sold to distributors. For the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, revenue generated from sales to distributors amounted to RMB763.9 million, RMB859.5 million, RMB862.9 million and RMB387.2 million, which accounted for 79.9%, 72.2%, 55.6% and 53.5% of our total revenue, respectively. Additionally, our top five customers by revenue during the Track Record Period were mostly distributors. Revenue from our top five customers during the Track Record Period accounted for 58.9%, 55.5%, 38.7% and 38.3% of our total revenue, respectively. In particular, Xi'an Chuangkecun was our largest customer during the Track Record Period, and our revenue derived from Xi'an Chuangkecun accounted for 52.2%, 49.3%, 29.3% and 25.0% of our total revenue, respectively. See "Summary – Our Customers and Suppliers – Relationship with the Largest Customer" and "Business – Our Customers – Our Relationship with Xi'an Chuangkecun." The performance of Xi'an Chuangkecun, as well as our other distributors, which includes, but is not limited to, their ability to sell our products, uphold our brands, and expand their sales network are crucial to the future growth of our business and may directly affect our sales volume and profitability. We expect Xi'an Chuangkecun and other distributors will, in the aggregate, continue to account for a large portion of our sales for foreseeable future. However, there is no assurance that we can maintain our relationship with Xi'an Chuangkecun or any other major distributors in the future, which exposes us to significant concentration risk in relation to our total revenue.

If Xi'an Chuangkecun and our other distributors reduce their orders from us or terminate their business relationships with us, we may not be able to secure alternative distributors with similar sales performance on terms and conditions commercially acceptable to us in a timely manner, which consequently may materially and adversely affect our results of operations and financial conditions. For the five months ended May 31, 2022, the revenue from Xi'an Chuangkecun amounted to RMB180.7 million, accounting for 25.0% of our total revenue during the same period. See "Business – Sales, Distribution and Marketing – Our Omni-channel Sales and Distribution Network – Sales to Distributors."

Our investment in R&D, including collaborations with third parties, may not generate expected outcomes.

Since our inception, we have been committed to the R&D of bioactive ingredients and marketed products. As of May 31, 2022, our R&D team consisted of 124 staff members. However, the process to complete research and product development, obtain regulatory approval and commercialize our product candidates may be time-consuming and costly. We will continue to invest significant amounts of financial and human resources in R&D. See "Future Plans and Use of [**REDACTED**]" for our expansion plan in this regard. However, we cannot assure you that our R&D efforts will be able to deliver the intended results. Neither can we assure you that we will be able to successfully identify new technological opportunities, develop, enhance or adapt to new technologies, develop and bring new or more advanced products to market, obtain sufficient or any patent or other intellectual property protection for such products, or obtain the necessary regulatory approvals in a timely and cost-effective manner, or if such products are introduced, that those products will achieve market acceptance. We may also fail to upgrade our existing technologies or to develop or adopt new technologies that mitigate the risk of substitution by other products. Any failure to do so could harm our business and prospects.

As of the Latest Practicable Date, we had collaborated with medical institutions and academic institutions for the R&D of our products. We may from time to time establish or seek to enter into collaborations, strategic alliances, joint ventures, equity investment, or licensing arrangements with third parties that we believe will complement or augment our development and commercialization of product candidates and future product candidates. See "Business – Research and Development – Our R&D Collaborations." The third parties we collaborate with may fail to properly perform its contractual obligations, fail to protect their intellectual properties, fail to comply with the regulatory provisions or ultimately yield the anticipated economic benefits. If we are unable to reach agreements with suitable collaborators on acceptable terms in a timely manner, or at all, we may have to curtail the development of a product candidate, reduce or delay its development program or commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense.

If our employees, distributors, customers, suppliers or other business partners engage in illegal, fraudulent, improper or unethical conduct, such as bribery and corruption, we may be subject to potential liability and negative publicity, and our reputation as well as business could be harmed.

We are exposed to the risk that our employees, distributors, customers, suppliers, or other business partners we have contracted may engage in illegal, fraudulent, improper or unethical conduct. Misconduct by these individuals and institutions could include intentional, reckless and/or negligent conduct that violates the relevant laws and regulations, including those requiring the reporting of true, complete and accurate information and data to regulatory authorities, data privacy and security, product quality, efficacy claims and manufacturing standards, and other relevant laws and regulations in China. Such misconduct could also involve fraud, corruption, bribery (such as offering or accepting kickbacks and rebates that may constitute bribery), tax evasion and other illegal practices. In addition, our business partners such as medical institutions and distributors may be subject to greater regulatory scrutiny in their sales and operations, in particular, their compliance with applicable anti-bribery and tax laws and regulations.

In particular, sales, marketing and other business arrangements in our industry are subject to extensive laws and regulations intended to prevent fraud, bribery, misconduct, kickbacks, self-dealing and other abusive practices. We could be potentially liable for actions taken by our employees, distributors, customers, suppliers or other business partners that violate anti-bribery, anti-corruption and other related laws and regulations in China or other countries as well as suffer from negative publicity associated with these actions, over which we may not have full control. Our employees or other third parties may fail to comply with such laws and regulations, and the relevant government authorities with discretion may interpret the laws and regulations in the way inconsistent with our understanding, both of which may expose us to potential risks and penalties. Although we had not been subject to fines or penalties for any breach of such laws and regulations in the past, we cannot assure you that there will not be any such fines or penalties imposed on us in the future. We may not be able to identify and deter any misconduct by such foregoing persons, and the precautions we take to detect and prevent such misconduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could severely disrupt our business operations, or result in failure to continue the marketing and sales of our products and obtain regulatory approval for our product candidates. The government authorities may seize the products involved in any illegal or improper conduct by our employees and other third parties, and we may be subject to claims, fines or suspension of our operations. Our brands and reputation, business, results of operations and financial position could be adversely affected if we are associated with any potential liabilities as well as negative publicity as a result of illegal, fraudulent, improper or unethical conduct, or allegations of such, by our employees and other business partners.

Our products and any future products will be subject to ongoing or additional regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties. If we fail to comply with regulatory requirements or experience unanticipated problems with our products and/or product candidates, such as false advertising, efficacy-related misrepresentation claims, and failure to successfully complete the clinical trials, our prospects, business and results of operations could be adversely affected.

In China, a number of legislative and regulatory changes and proposed changes could prevent or delay regulatory approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell our products and any product candidates for which we are to obtain regulatory approval. Our products and any additional product candidates that are approved by the regulators are, and will be subject to, ongoing regulatory requirements with respect to manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, post-market studies, submission of safety, efficacy, and other post-market information as well as other requirements of regulatory authorities in China. If we are unable to comply with the aforesaid regulatory requirements, we may be subject to regulatory investigation, administrative proceedings and potential penalties, which could adversely affect our business operations and financial condition. In addition, some of our existing products or our future pipeline products are sold or will be sold directly or via distributors to medical institutions, which have been under regulatory scrutiny such as their compliance with applicable anti-corruption and anti-bribery laws in recent years. In particular, we may have an increase in sales to aesthetic medicine service providers in the future when our skin rejuvenation products are approved. The continued or heightened regulatory scrutiny on medical institutions may impact our future sales to them. See "Regulatory Overview – Main Regulations Relating to Aesthetic Medicine Service Providers."

Given the evolving nature of government regulations that are applicable to our business and products, it might become increasingly onerous for us to obtain the registration certificates for our pipeline products. Failure to obtain registration certificates for these pipeline products would hinder us from penetrating into the skin rejuvenation and biomedical material markets, which may adversely affect our business and financial performance. In particular, our product pipeline included four skin rejuvenation products under our beauty product portfolio and two biomedical products under our health product portfolio, all of which require Class III medical device registration certificates from NMPA. Before obtaining such regulatory approval, we must conduct clinical trials to demonstrate the safety and efficacy of the aforementioned pipeline products, and we cannot assure you that our pipeline products will successfully complete clinical trials as required. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize the pipeline products.

Manufacturers and their facilities are required to comply with extensive regulatory requirements from the NMPA and/or other regulatory authorities. As such, we are and will be subject to continual review and inspections by the regulators in order to assess our compliance with applicable laws and requirements and adherence to commitments we made in any application materials with the NMPA or other regulatory authorities. Accordingly, we must continue to devote time, money and effort in all areas of regulatory compliance.

The regulatory approvals for our products and any approvals that we are to receive for our product candidates are and may be subject to limitations on the indicated uses for which our product may be marketed. The approvals we obtain may also be subject to other conditions which may require potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of our products or product candidates. Such limitations and conditions could adversely affect the commercial potential of our products and product candidates.

In addition, the NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products placed on the market. As our products or future pipeline products may be advertised in various public or private domains, we may become a subject of product efficacy-related misrepresentation or false advertising claims, which may have a material adverse impact on our business. Products may be promoted only for their approved indications and for use in accordance with the applicable scope in the approved label. The NMPA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and improper promotion of off-label uses may be subject to liabilities. As we do not closely monitor or otherwise directly participate in the treatments or procedures performed by the medical institutions and their practitioners, we could be subject to liabilities associated with any improper adoption or administration of our products by third parties.

We rely on our in-house sales and marketing team and third parties to promote our products. Failure to execute an effective sales and marketing strategy could harm our ability to increase the sales of our products and achieve broader market acceptance.

We sell our products through both direct sales and sales to distributors. In 2019, 2020, 2021 and the five months ended May 31, 2022, we generated 20.1%, 27.8%, 44.4% and 46.5% of our total revenue from direct sales, and 79.9%, 72.2%, 55.6% and 53.5% of our total revenue from sales to distributors. We aim to increase the sales of our products, achieve broader market acceptance, and maintain sustainable relationship with existing and potential customers, which will depend to a significant extent on the successful execution of effective sales and marketing strategy. However, we cannot assure you that we will be able to attract, motivate and retain qualified and professional employees with requisite expertise and communicate with them effectively. If we are unable to hire, develop and retain qualified sales and marketing personnel, or if our new sales and marketing personnel are unable to achieve desired performance levels, we may not be able to execute our sales and marketing strategy or achieve our goals.

In addition, both our relationships with third parties such as distributors, medical institutions and retail chains and our engagement with e-commerce and social media platforms play an important role in our sales and marketing activities. We cannot assure you that we will be able to maintain or strengthen our relationships with these industry players. These industry players may leave the market, change their business or practice focus, cease to collaborate with us, or collaborate with our competitors for any reason. As a result, our marketing strategy and efforts may not be successful in promoting our products. If we are unable to generate returns from our relationships with these industry players as anticipated, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, we have limited experience in the sales and marketing of certain of our product candidates, which includes products that operate in different sub-markets to our marketed products. Upon the commercialization of our product candidates, we may fail to build a corresponding commercial team, conduct comprehensive market analysis, obtain licenses and approvals, or manage the related distributors and sales force. As a result, commercialization of our product candidates may involve more inherent risks, take comparatively longer time, and cost more. There may be circumstances during the actual sales of our future products that we did not anticipate prior to commercialization that may require us to adjust our sales and marketing strategy, recruit additional personnel or incur unforeseen costs and expenses. In such event, our business prospects and sales of the relevant products could be materially and adversely affected.

Failure to engage in sales and marketing activities in a cost-effective manner and failure to achieve the anticipated results from our sales and marketing activities may reduce our market share, cause our revenues to decline, negatively impact our profitability, and materially harm our business, results of operations and financial condition.

We may be subject to risks in relation to our sales to distributors, including occurrence of channel stuffing and cannibalization.

We manage a broad sales and distribution network and sell our products. We cannot assure you that we will be able to maintain our relationships with our key distribution partners in the future. We typically enter into short-term framework agreements with our distributors. We cannot guarantee that any of our existing distributors will renew such framework agreements upon expiration or continue to place purchase orders with us in the future at the same level as in the current or prior periods, or at all. Should any of the distributors reduce substantially their demands for our products or terminate the business relationship with us, we may not be able to secure replacements for the lost customer or purchase orders in a timely fashion or at all and may experience a decline in our sales performance. Any unexpected cessation of, or substantial reduction in, the volume of orders from any of our major customers may have a material and adverse impact on our business, financial condition and results of operations.

In 2019, 2020, 2021 and the five months ended May 31, 2022, we cooperated with 299, 374, 406 and 385 distributors, respectively. See "Business – Sales, Distribution and Marketing – Our Omni-channel Sales and Distribution Network – Sales to Distributors – Our Distributorship Network." Due to the large number of our distributors, it is difficult to monitor their compliance with regulatory requirements and business practices. Non-compliance by any

of our distributors with the relevant licensing requirements under applicable regulation may adversely affect the sales and distribution of our products. Further, as we rely on our distributors to manage their sales practices, we have limited control over the ultimate sales by these distributors. We cannot assure you that they will at all times comply with our sales policies or that they will not compete with each other for market share in respect of our products. If any of our distributors fail to distribute our products to their customers in a timely manner, overstock, or carry out actions which are inconsistent with our business strategy, it may affect our future sales. There may be instances when these distributors take actions which are not consistent with our business strategies, such as failure to follow our pricing and marketing policies and participate in our marketing and promotional activities. Any occurrence of aforementioned non-compliance may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

We prevent the occurrence of channel stuffing, cannibalization and competition within our distribution network through various measures. See "Business – Sales, Distribution and Marketing – Our Omni-channel Sales and Distribution Network – Sales to Distributors." However, we cannot assure you that the measures would be effective in preventing channel stuffing, cannibalization and competition within our distribution network. The failure in avoiding such occurrences may adversely affecting our financial condition and results of operation.

Future changes in the online marketing industry and consumer behavioral pattern may adversely affect our sales through online channels. As we continue to devote greater resources in online marketing and incur higher online marketing expenses, our net profit margin may continue to decrease.

We have relied on third-party e-commerce platforms such as Tmall, JD.com and Pinduoduo, as well as social media platforms, such as Douyin and Xiaohongshu for online direct sales of our products. Our revenue derived from online direct sales accounted for 16.5%, 25.8%, 41.5% and 43.6% of our total revenue in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. The future growth of our operations depends on our ability to continue attracting online customers and generating new purchases from various online channels, as well as our ability to retain visitors to our websites and social media platforms. We believe that maintaining a strong online presence helps improve our brand visibility and awareness, especially in regions where we have yet to establish a physical presence. However, if such platforms fail to provide satisfactory customer experience or fail to retain existing users and attract new users, or if our cooperation with such third-party e-commerce and social media platforms terminates, deteriorates or becomes more costly, our business and results of operations may be materially and adversely affected.

Our online marketing expenses increased from RMB64.5 million in 2019 to RMB124.6 million in 2020, and further to RMB306.1 million in 2021, and from RMB77.2 million in the first five months in 2021 to RMB178.9 million in the same period in 2022. We anticipate that our online marketing expenses will increase in the foreseeable future as we continue to grow our online sales channels and, as a result, our net profit margin may continue to decrease.

Furthermore, we may fail to incentivize such platforms to drive traffic to our stores or promote our products, which may also materially and adversely affect our business and results of operations. We cannot guarantee that we will be able to find alternative channels on terms and conditions commercially acceptable to us in a timely manner, or at all, especially given their leading position and significant influence in China's e-commerce and social media industry. In addition, any negative publicities about such third-party platforms, and any public perception or claims that non-authentic, counterfeit or defective goods are sold on such platforms, be it with merit, proven or otherwise, may deter visits to the platforms and result in reduced customer traffics to our stores or a decline in sales of our products, which may negatively impact our business and results of operations.

In addition to our ability to maintain relationships across various online channels, the success of these channels also depends on a number of factors relating to the online marketing industry and consumer behavioral patterns, including, without limitation:

- consumer traffic on e-commerce platforms and our ability to increase consumer traffic on our online stores and the e-commerce platforms we engage;
- our ability to respond to the changes in the online marketing and e-commerce industry in China;
- influence of online influencers on consumer preferences and our cooperation with such influencers;
- the reliability of the e-commerce and social media platforms; and
- the availability of the relevant network infrastructure, such as online or mobile payment platforms.

We cannot assure you that we can stay abreast of constantly changing consumer behavioral patterns and preferences and anticipate product trends that will appeal to existing and potential online customers. Accordingly, negative publicities about such third-party e-commerce and social media platforms, a decline in the popularity of online shopping in general or our failure to identify and respond to market trends and consumer requirements in the online channels could result in decreased number of online customers and reduced attractiveness of our online channels. This in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

If we fail to compete successfully against our existing or potential competitors, many of whom have greater resources than we have, our sales and operating results may be negatively affected.

We face competition from domestic and international competitors in a number of dimensions, and the competition from these existing players and new market entrants is expected to continue and intensify. These dimensions of competition include but are not limited to the functionality, quality, safety and prices of products, the availability and costs of raw materials, brand recognition, sales and marketing capabilities, R&D capabilities, ability to secure timely regulatory approvals for new products, and manufacturing capabilities. Some of our competitors may discover, develop or commercialize competing products or treatments earlier or more successfully than we do, as they may have stronger R&D and technological capabilities, products with more advanced or appealing features, a broader variety of products, more extensive or effective sales networks, or greater financial and other resources.

In addition, the consumer needs and preferences in China's beauty and health product markets have been rapidly evolving. Existing competitors and new market entrants may be faster in detecting and capturing the market trend and developing new products or updating existing products that better address the market demand or industry trend, and obtain a more advantageous market position than we do, which could significantly dampen the demand for our products and cause our products to become obsolete. As a result, we cannot assure you that our endeavors in researching and developing new products and enhancing our technological capabilities will enable us to gain or maintain our competitive advantage. The intensified competition may result in increased pricing pressure, increased sales and marketing expenses, reduced profitability, and loss of market share, any of which could have an adverse effect on our prospects, business, results of operations and financial condition.

We may not be able to develop new products that are competitive or successful in the market we have entered or plan to enter, in a timely manner or at all.

Our success depends on our ability to continuously identify, develop and launch new products that meet consumer demands. The success of any product candidate will depend on several factors, including our ability to anticipate industry trends and market demand, complete product development process efficiently, minimize the costs and time for obtaining required regulatory approvals, optimize our manufacturing and procurement process, manufacture and deliver new products in a timely and commercially viable manner, anticipate and compete with our competitors, and increase customer awareness and acceptance of our new products. We cannot guarantee that we can predict the industry trends and market demand and be successful in developing new products or that we will be able to identify viable product development opportunities. We may experience delays or failures in any stage of product development, manufacturing, product registration and marketing. In particular, our product pipeline included four skin rejuvenation products under our beauty product portfolio and two biomedical products under our health product portfolio, all of which require Class III medical device registration certificates from NMPA. Before obtaining such regulatory approval, we must conduct clinical trials to demonstrate the safety and efficacy of the aforementioned pipeline products. Failure to obtain regulatory approvals or registration certificates for these pipeline

products in a timely manner would hinder us from penetrating into the skin rejuvenation and biomedical material markets, which may adversely affect our business and financial performance. We may collaborate with third parties to develop new products. We cannot assure that we could successfully launch the new products as anticipated or at all, or that the consumers will be receptive to our new products. Even if we are able to launch new products, it may take time for the new products to gain market acceptance. As a result, our prospects, business, results of operations and financial condition could be adversely affected.

Our historical business growth, revenue and profitability may not be indicative of future performance.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB956.7 million in 2019 to RMB1,552.5 million in 2021. Our revenue also increased from RMB520.6 million for the five months ended May 31, 2021 to RMB723.0 million for the same period in 2022. Our net profit increased from RMB575.2 million in 2019 to RMB828.1 million in 2021. Our net profit also increased from RMB289.5 million in the five months ended May 31, 2021 to RMB313.6 million in the same period in 2022. Our net profit margin increased from 60.1% in 2019 to 69.4% in 2020, and subsequently decreased to 53.3% in 2021, and decreased from 55.6% in the five months ended May 31, 2021 to 43.4% in the five months ended May 31 2022. However, our historical growth and profitability may not be indicative of our future performance, and we cannot assure you that this level of significant growth and profitability will be sustainable, or achievable at all, in the future.

Our ability to achieve or maintain growth and profitability will largely depend on our ability to successfully execute our development strategies, which in turn depends on a number of factors, including but not limited to our ability to:

- innovate and develop new technologies and products to address market demand, preferences and changes;
- increase market acceptance of our products;
- improve our reputation and brand recognition among consumers, medical institutions, and medical practitioners;
- assess and review our channel strategy;
- enhance our manufacturing capacity and efficiency; and
- maintain adequate control of our costs and expenses.

We may also encounter unforeseen expenses, difficulties, delays and other unknown events. We cannot assure you that we will be able to effectively manage our growth or implement our business strategies effectively, failure of which will adversely affect our business, results of operations and financial condition.

If we fail to implement the expansion plan of our manufacturing capabilities as planned, our business and prospects could be materially and adversely affected.

We intend to meet the growing demand for our products in China by constructing new plants and production lines and upgrading the existing ones in the near and medium term. These initiatives may result in an increase in our capital expenditures and depreciation costs, and thus may adversely affect our profitability, financial condition and results of operations. See "Business – Our Strategies – Enhance manufacturing capabilities and improve production efficiencies."

We cannot assure you that our expansion plan will be successfully implemented without delays or at all. Our ability to implement our expansion plan is subject to a number of factors. New manufacturing facilities may require prior review by regulatory authorities and/or approval of the manufacturing process and procedures in accordance with applicable laws and regulations. This review could delay or halt the operation of the manufacturing facilities. The new facilities will also be subject to pre-approval inspection. Regulatory authorities may also require the relevant equivalency testing. These processes are time-consuming and may result in additional costs and delays.

We began the construction of our new science and technology park in 2021 without first obtaining the requisite construction permit. In May 2022, we obtained such permit. See "Business – Properties." Additionally, our product candidates cover products that are seeking a medical device registration, which may require different manufacturing capabilities, techniques and regulatory approvals. We have less experience in manufacturing our product candidates, and our manufacturing techniques or facilities for the same may fail to operate as anticipated. In addition, we may not be able to recruit sufficient qualified staff or establish sufficient quality control to support the increase in manufacturing capacity in a timely manner. Any failure or delay in implementing any part of our expansion plan may result in a lack of manufacturing capacity to support our growth, market expansion, and the commercialization of product candidates, which in turn could adversely affect our business, results of operations and financial condition.

Failure to maintain effective pricing strategies and any downward changes in the pricing of our products may have a material adverse effect on our business and results of operations.

We generally price our products by considering various factors, including the market demand for products, our costs and expenses, different positioning of product lines, prices of competing products or treatments, the overall competitive landscape and the level of local economic development. However, our pricing strategies may not be effective and competitive at all times to reflect the supply and demand of our products, which may affect our ability to capture market demand and generate revenue. Additionally, if the PRC government issues pricing guidance for our products, it may negatively affect the price at which we can sell our products and have a material adverse effect on our business and results of operations. Our customers may gain more bargaining power and they may demand a lower price from us, which reduces our profitability. In addition, if medical institutions seek to lower the prices of our

products and reduce the profitability of our distributors, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors. Furthermore, with the introduction of our new or competing products, or with voluntary price cuts by our competitors, we may be forced to lower the prices for our products.

If the prices of our products decline due to the aforementioned factors, and if we are unable to mitigate the adverse effects of such price reduction without incurring substantial expenses to improve our products, our net profit margin may decrease accordingly. Our overall net profit margin was 60.1%, 69.4%, 53.3% and 43.4% in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. If our products experience downward pricing pressures, we cannot guarantee that we can sustain our gross profit margin levels. Any decrease in our product prices or any decline in our gross profit margins in the future could materially and adversely affected our business, profitability, financial condition and results of operations.

Our business and reputation may be adversely affected by negative publicity involving us, the industry we operate in, our brands and products, our Shareholders, Directors, officers or employees, as well as distributors, suppliers or other parties we collaborate with.

We primarily operate in the professional skin treatment products and functional foods industry, which has from time to time been subject to negative media coverage or other negative publicity. Such negative publicity concerning the industry, whether or not directly related to us, could affect our reputation and the confidence in our brands and products. For instance, the manufacturing, sales, distribution or adoption of such products of suboptimal quality, unlicensed products or products otherwise failing to meet the relevant regulatory requirements may result in negative implications for the industry as a whole, which may have an adverse impact on our reputation and business. In addition, our products may be perceived to cause severe adverse reactions if the competing products or treatments containing the same or similar ingredients or materials shared by our products cause or are perceived to have caused severe adverse reactions, or if one or more regulators, such as the NMPA, determines that products containing the same or similar ingredients or materials shared by our products could cause or lead to severe adverse reactions. In addition, we, our Shareholders, Directors, officers and employees, as well as distributors, suppliers, or other parties we collaborate with may be subject to negative media coverage and publicity or be non-compliant with laws or regulations, which could also threaten our reputation and disrupt our business operations. For example, we are noted that there had been certain negative publicity about the business of Xi'an Chuangkecun with the risk of violating the applicable PRC laws with respect to pyramid selling. We may be required to devote significant time and resources and incur substantial costs to defend against such negative publicity, and we cannot guarantee that we are able to diffuse such to the satisfaction of our investors. As a result, our business and results of operations could be materially and adversely affected.

Any negative publicity concerning us, our affiliates or any entity that shares our name, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicity about us or our Controlling Shareholders or our affiliates would not damage our brand image, and such unauthorized use of our brand names by any third parties may adversely affect the value of our brand names, reputation and business. In addition, any legal actions including litigation to enforce our rights to our brand names may involve significant costs and divert our limited resources, which may result in a material adverse effect on our business, results of operations and financial condition.

Any negative publicity or misconduct regarding the KOLs that promote our products could adversely affect our business.

During the Track Record Period, we had collaborated with KOLs in relation to our marketing activities. However, we cannot assure you that any of our KOLs' endorsements will remain effective and compatible with the messages that our brands and products aim to convey. Moreover, we cannot give assurance that any of these KOLs will remain popular or their public perceptions will remain positive. The KOLs may face the recent tightening regulations targeting widespread tax avoidance, which may impose risks to our business. Any of the KOLs' deterioration in image or misconduct, including but not limited to, inappropriate speech, unethical behavior, offense against the relevant laws and regulations or banning from conducting marketing activities would have a significant impact on our brands and subsequently the sales of our products. Although we have internal control measures in place to prevent the KOLs that we collaborate with from conducting wrongdoings which may cause negative impacts on our reputation or brand image, we cannot assure you that such measures would be effective at all times. Although we will take proactive measures to mitigate impact once similar incidents occur, we cannot assure you that our business, financial condition and results of operations will not be affected. In the event that we need to replace the KOLs, we may not be able to find suitable candidates in a timely manner. Our marketing plans may be disrupted or we may need to incur additional costs as we may require more time to procure new KOLs to support our marketing activities. We may also initiate claims, disputes or legal proceedings against KOLs for compensation, which may divert our management's attention and incur additional litigation expenses and costs. If any of these situations occurs, our business, financial condition and results of operations could be materially and adversely affected.

Our performance depends on our ability to maintain good relationship with our key personnel and employees. Failure to attract, retain and motivate qualified personnel may have an adverse effect on our results of operations.

Our current business performance and future success depend substantially on the abilities and contributions of our senior management members, including Mr. Yan, our Co-founder and chairman, Dr. Fan, our Co-founder and chief scientific officer, all executive Directors and other key personnel with industry expertise, know-how or experience in areas such as R&D, manufacturing, sales, marketing, financial management, human resources or risk management. Any loss of such personnel could materially and adversely affect our ability to sustain and develop our business. We cannot assure you that our key personnel will not join a competitor or form a competing business or will follow the terms and conditions of their employment contracts.

Our success also depends on our ability to attract and retain qualified and skilled management, R&D, sales and marketing, manufacturing and other personnel. As the wages and employee benefits in China continue to increase, we may not be able to pass on such costs to our customers. We also cannot assure you that we will not experience any shortage in labor. We cannot assure you that we will be able to attract, hire and retain sufficient personnel for our business. Nor can our Company guarantee that any shortages in qualified and skilled personnel will not increase our staff costs as the competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them and consequently materially and adversely affect our results of operations and financial condition.

We strive to provide a safe and desirable working environment to our employees to prevent occupational hazards. However, we may be subject to liability claim, negative publicity and government investigation or intervention in relation to workplace safety or occupational hazards, in particular if our employees suffer from personal injuries or casualties at our facilities or during the transportation of our products. Such incidents could worsen our relationship with our employees and damage our brands and reputation.

We cannot assure you that we will not have any labor disputes in the future. Any deterioration of our relationship with our employees could result in disputes, strikes, claims and relevant legal proceedings, which may disrupt our manufacturing and operations, and lead to loss of know-how and trade secrets. Any labor shortage could hinder our ability to maintain or expand our business operations, which may adversely affect our business operations and results of operations.

Our delivery, return and exchange policies for our customers may not fully cover the logistics costs, which may adversely affect our results of operations.

We have adopted delivery policies that do not necessarily pass the full cost of logistics onto our customers. We have also adopted customer-friendly policies, allowing certain customers to return or exchange products within seven days upon delivery, subject to various conditions, laws and regulations. We may also be legally required to adopt new or amend existing return and exchange policies from time to time. These policies improve customers' experience and promote customer loyalty, which in turn help us acquire and retain customers. However, these policies also subject us to additional costs and expenses which may not be recoverable. If our delivery, return and exchange policies are misused by a significant number of customers or if the return or exchange rates increase beyond historical records or otherwise substantially, our costs may increase significantly, and our results of operations may be materially and adversely affected. If we revise these policies, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

We develop and manufacture substantially all of key ingredients and our products at our own manufacturing plants in Xi'an, Shaanxi province. Our operations and financial performance may be materially adversely affected if we experience any major disruptions, damage or destruction, including as a result of fire or other disruptions at our manufacturing plants.

As of the Latest Practicable Date, we developed and manufactured professional skin treatment products with recombinant collagen as the key bioactive ingredient and ginsenosides-based functional foods at our two manufacturing plants in Xi'an, Shaanxi province. While we conduct regular checks and maintain measures to prevent disruptions, damages or destructions to our manufacturing plants, unforeseen events may occur from time to time, and the risk of any occurrence in the future cannot be completely eliminated. The level of disruption to our business may be higher if such disruption affects some, or all parts of Xi'an. For example, incidents such as the COVID-19 outbreak in Xi'an around the end of 2021 have put extra strain on our production and logistics. See "Summary – Recent Developments." Significant unscheduled downtime at our manufacturing facilities due to equipment breakdowns, power failures, weather conditions, fire or other natural disasters could cause disruptions in our operations or delay our delivery schedules.

Additionally, certain of the materials which we use for our manufacturing are highly flammable and we are therefore subject to the risk of fire. Our current insurance coverage may not be sufficient to cover all of our potential losses, including those due to fire. If any manufacturing plant were to be damaged or cease operations, including those due to fire or other disruptions, it would temporarily reduce our manufacturing capacity and affect our ability to provide our products to our customers, which could adversely affect our sales, business, financial condition and results of operation.

Any quality issues related to our products could result in a loss of customers and sales and may subject us to product liability claims.

We believe that the quality of our products is critical to our success. Our manufacturing processes are required to meet high quality standards, especially for skincare and medical products. We have established a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with our products. See "Business – Quality Management." We cannot assure you that the design of our quality control systems will be effective at all times and we cannot eliminate the risk of product defects or failure. Defects may fail to be detected or remediated as a result of a number of factors, many of which are beyond our control, including, among other manufacturing errors, technical or mechanical malfunctions during manufacture, human error or malfeasance by quality control personnel, or quality issues with the raw materials we purchase or produce. As of the Latest Practicable Date, we did not encounter any material quality issue related to our products.

Failure to detect, prevent or control defects in our products or to prevent such defective products from being delivered to our customers could result in undesired adverse reactions, injury, product recalls or withdrawals, license revocation, regulatory fines, product liability claims or other problems that could seriously harm our reputation and business. According to PRC laws and regulations, we may be subject to product liability claims if our products have safety hazard due to quality issues. Such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the bioactive ingredients, negligence by medical practitioners, or strict liability.

In addition, we may be subject to product liability claims if we breach our warranties related to product quality. Any serious failures or defects could cause us to withdraw or recall products, which could result in significant costs. Although historically we have not experienced any product recall, we cannot assure you that there would be no market withdrawals or product recalls of our products.

Failure to meet or maintain compliance with relevant manufacturing standards and any other disruption or suspension of manufacturing activities may affect our revenue and profitability materially and adversely.

Our manufacturing facilities are subject to regular inspections by the relevant government authorities as part of the process of maintaining or renewing the permits, licenses, certificates and other regulatory filings required for our business and operations. Such inspections require us to comply with, among other things, GMP regulations of medical devices. We cannot guarantee that we will be able to adequately follow and document our adherence to such GMP regulations of medical devices or other regulatory requirements. When inspecting our manufacturing facilities, the NMPA or other comparable regulatory authorities may identify deficiencies according to GMP requirements of medical devices or other regulatory requirements. Remediating deficiencies can be laborious, time-consuming and costly. Moreover, the NMPA or other comparable regulatory authorities will generally re-inspect the facilities to determine whether the deficiency was remediated to its satisfaction, and may note

further deficiencies during re-inspection. We may be required to delay, suspend or cease manufacturing activities if we fail to pass these regulatory inspections, which will affect our ability to fulfill product orders and sell our products, and in turn, have a material and adverse effect on our business, financial condition and results of operations.

If the operation of our manufacturing facilities is substantially disrupted, we may not be able to replace the equipment or inventories, or use different sites or a third-party contractor to continue our production in a legal, timely and cost-effective manner or at all. As a result of disruption to our manufacturing site or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenues and profitability could be materially and adversely affected.

Advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete, and as a result, we may also need to develop and implement advanced manufacturing techniques and process controls in order to fully utilize our facilities, or we may need to modify our facilities or establish new facilities. If we are unable to do so, if the process to do so is delayed, or if the associated cost is not economically feasible, we may not be able to supply our products in a sufficient quantity to meet future demand, which would limit our development and commercialization activities and our opportunities for growth.

We have engaged and expect to continue to engage third parties to supply certain raw materials to manufacture our products, and our business could be harmed if we are unable to obtain such raw materials in sufficient quantities or at acceptable quality or prices.

We select qualified suppliers to source certain raw materials for our products. Any disruption to the supply in adequate quantities to meet our needs could impair our ability to manufacture products as scheduled. Moreover, we expect our demand for raw materials to increase as we expand our business scale and commercialize our product candidates, and we cannot guarantee that current suppliers will have the capacity to meet our standards and demand in the future. During the Track Record Period, we relied in part on the supplies from certain major suppliers, including raw materials and packaging materials. Any disruption in such supplies may have a negative impact on our business operations. The prices of our raw materials and other supplies may also be affected by factors beyond our control, and we cannot assure you that we can transfer the increasing costs of raw materials to our customers or can switch to other suppliers that offer more favorable pricing and other commercial terms in a timely manner. We may manage the fluctuations in the pricing of our raw materials by adopting similar materials from alternative suppliers and renegotiating contract terms with existing suppliers. We believe that during the Track Record Period, fluctuations in raw materials costs had not had a material impact on our results of operations or gross profit margin. See "Industry Overview – Price Trends of Raw Materials." Our raw materials primarily consist of packaging materials and ingredients, and the costs of raw materials represented 12.5%, 11.6%, 9.3% and 11.1% of our revenue in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. A significant increase in the costs of raw materials in the future, however, may increase our cost of sales and affect our profit margin.

In addition, our suppliers may also elect to terminate our business relationship due to a number of reasons, including regulatory, commercial or competitive considerations. We may also have contractual or other disputes with our suppliers. Moreover, although we have implemented quality inspection procedures on such materials before they are used in our manufacturing process and require our suppliers to maintain high quality standards, we cannot guarantee that we will be able to detect all quality issues in the supplies we use. We also cannot assure you that our suppliers can meet our specifications, requisite standard, attributes and other parameters and requirements that we may impose on our raw materials and other supplies, or that our suppliers will be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. We may not be able to find alternative materials or suppliers that meet our needs or secure approval for their use in a timely manner, on favorable terms or at all, which may cause delay in our supply of our raw materials and interruption in our manufacturing.

Failure to maintain and predict inventory levels in line with the level of demand for our products could cause us to lose sales or face excess inventory risks, either of which could have a material adverse effect on our business, financial condition and results of operations.

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of inventory for our products to ensure prompt delivery when required. Our distributors and customers typically order our product on an order-by-order basis. We project demand for our products based on our marketing plan, our sales reports, our internal database of historical customer orders and our inventory levels. As such, we are required to maintain an appropriate level of inventory of our raw materials for our commercial production. In 2019, 2020, 2021 and the five months ended May 31, 2022, our inventory turnover days were 106 days, 115 days, 142 days and 121 days, respectively. See "Financial Information – Discussion of Major Balance Sheet Items – Current Assets/Liabilities – Inventories."

However, we maintain our inventory levels based on our internal forecasts which are inherently uncertain. If our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or produce our products in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs.

In addition, we have established inventory policies, management procedures and provide adequate training sessions on inventory management, we actively monitor our inventory level and track the flow of our products in the operation of our business. However, there is no guarantee that the inventory information we collect is complete and accurate or that such information would allow us to effectively manage our inventory level. If we fail to maintain and predict inventory levels in line with the level of demand for our products, our business, financial condition and results of operations will be materially and adversely affected.

Any delivery delays, improper handling or increase in transportation costs of third-party logistics service providers may adversely affect our business, financial condition and results of operations.

We rely on our third-party logistics service providers for the transportation of our products to customers. The logistics services provided by these providers may be suspended, in which case the supply of our products could be interrupted. Delayed or even lost deliveries may occur for various reasons beyond our control, including improper handling by our logistics service providers. In addition, improper handling of our products could also result in product contamination or damage, which may in turn lead to product exchanges, product liability, increased costs and damage to our reputation. Any of the circumstances would materially and adversely affect our business, financial condition and results of operations.

We are subject to risks relating to the warehousing of our products.

Before dispatching delivery to customers or distributors, we temporarily store our products in our own warehouses or those provided by third-party warehousing providers. If we or any third-party warehousing provider we engage fail to store the products at optimal conditions, such as at optimal temperatures and humidity levels, the quality and shelf-life of our products may be adversely affected. We do not maintain insurance policies covering damages to our warehouse. To ensure safety and quality of materials and products, we separate our warehouse into different segments and store materials and products separately according to their properties and uses to prevent mix-up. However, if any accident were to occur, causing damages to the products stored in our own warehouses, we might not be able to supply products to customers or distributors in a timely manner or at all, which would adversely affect our results of operations.

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.

Uncertainties about global economic conditions and regulatory changes and other factors including fluctuation of interest rates, inflation level, conditions in the real estate and mortgage markets, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for our products. In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic or any severe epidemic disease such as SARS, Ebola, Zika or the COVID-19, acts of war, terrorism or other force majeure events beyond our control may disrupt our R&D, manufacturing and commercialization activities and business operations, all of which could negatively affect our operations, financial condition and future prospects.

In particular, COVID-19 has severely impacted China and many other countries and regions, resulted in prolonged mandatory quarantines, lockdown, closures of businesses and facilities and travel restrictions imposed by the Chinese government and other countries around the world. For details of the impact of COVID-19 on our business, results of operations and financial condition, see "Financial Information – The Impacts of COVID-19 on Our Business." The development of the pandemic, as well as the restrictions imposed and actions taken by the governments and society as a whole in response to the COVID-19 pandemic could present significant challenges and uncertainties. We cannot assure you that our business operations, results of operations and growth potential in the near future will not be affected by these uncertainties. The extent of the disruption to our business and the related impact on our financial results and outlook cannot be precisely estimated at this time. Our sales and operations could be disrupted if any of our employees or employees of our business partners such as suppliers and distributors are suspected of contracting or contracted COVID-19. Failure to sell and distribute our products or develop and commercialize our product candidates as planned may materially and adversely affected our business operations, financial condition and prospects.

We may be involved in lawsuits, claims, governmental investigations or administrative proceedings, which could adversely affect our business, results of operations, financial condition and reputation.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our own employees, suppliers, customers, contractors, consumers, business partners and other third parties that we engage for our business operations, whether they are directly related or attributable to us. As of the Latest Practicable Date, we were not involved in any litigations and legal proceedings that might materially affect our business operations. Pending or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs, and may cause a distraction to our management. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake, and the parties involved. If we are alleged to have infringed the intellectual property rights of our business partners or any third parties, we may be subject to injunctions or other temporary orders pending the resolution of such allegations, which could delay or even prevent us from the development and commercialization of affected products or product candidates, despite the outcome of the litigations. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities, and even suspend or terminate the affected business projects. Disputes with our business partners, including those relating to the R&D, intellectual property rights and commercialization of our product candidates, could also lead to the loss of rights relating to the affected products or

product candidates, and deterioration or termination of business relationship. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect our brand image. Consequently, our business, results of operations and financial condition may be materially and adversely affected.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers settled their payments with us through third-party payors (the "**Third-party Payment Arrangement(s)**"). According to Frost & Sullivan, it is relatively common within the industry to arrange third party payments for some small-scale companies in China. In 2019, 2020, 2021 and the five months ended May 31, 2022, the aggregate amount of third-party payments accounted for approximately 6.2%, 5.0%, 1.4% and 0.1% of the total revenue, respectively. Since March 2022, we ceased all Third-party Payment Arrangements. See "Business – Sales, Distribution and Marketing – Third-Party Payment Arrangements."

We are subject to various risks relating to such Third-party Payment Arrangements during the Track Record Period, including possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected.

If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operation and reputation could be materially and adversely affected.

We will become a [**REDACTED**] company upon completion of the [**REDACTED**], and our internal controls will be essential to the integrity of our business and financial results. Our public reporting obligations are expected to place a strain on our management, operational and financial resources and systems in the foreseeable future. Historically, we had certain improper or non-compliance conducts during our ordinary course of business. In preparation for the [**REDACTED**], we have implemented various measures to further enhance our internal controls, and plan to take steps to further improve our internal controls. See "Business – Sales, Distribution and Marketing – Third Party Payment Arrangements" and "Business – Risk Management and Internal Control – Internal Control." If we encounter difficulties in improving our internal controls and management information systems, we may incur additional costs and management time in meeting our improvement goals. We cannot assure you that the measures taken to improve our financial controls will be effective. If we fail to maintain effective internal controls in the future, we may be subject to fines or other penalties and our business, financial condition, results of operation and reputation may be materially and adversely affected.

We may be subject to fines for our failure to register for and/or make adequate contributions to social insurance and housing provident fund for our employees as required by the PRC regulations.

Pursuant to relevant PRC laws and regulations, employers are obligated to directly and duly contribute to the social insurance and housing provident fund for their employees. During the Track Record Period and up to the Latest Practicable Date, we did not make full contributions to the social insurance and housing provident fund for our employees. In addition, certain of our PRC subsidiaries did not register and establish their accounts of social insurance or housing provident fund according to the applicable laws and regulations as no employee was recruited. According to the applicable laws and regulations, the competent government authorities may demand us to take rectification measures. If we fail to take the measures as demanded, we may be subject to fines. Under the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), if we fail to complete housing provident fund registration before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch; if we are required to pay housing provident fund contributions within the prescribed deadlines, we may be subject to an order by the relevant people's court to make such payments. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), if we are required to complete social insurance registration within the prescribed deadlines and we fail to do so, we may be subject to a fine of one to three times the outstanding contribution amount, and for outstanding social insurance fund contributions that we did not make full payment, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the outstanding contribution amount.

During the Track Record Period, our total provision in relation to the shortfall amount of the social insurance and housing funds contribution was RMB9.3 million. See "Business – Employees."

Our insurance coverage may be inadequate to protect us from the liabilities we may incur.

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We maintain different types of insurance policies, including social insurance for our employees, safe production liability insurance, food safety liability insurance and vehicle insurance. We maintain food safety liability insurance to protect against the risks in relation to our functional food products. However, in line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which is not mandatory under PRC laws. See "Business – Insurance." In line with industry practice in China, we have elected not to maintain certain types of insurances. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

Our information technology systems are critical to our business. System integration, implementation issues or security breaches could disrupt our operations, which could have a material adverse impact on our business and operating results.

We rely on the efficient and uninterrupted operation of information technology systems. All information technology systems are vulnerable to damage or interruption from a variety of sources. As our business has grown in size and complexity, the growth has placed, and will continue to place, significant demands on our information technology systems. We expect to continue to make significant investments in maintaining, protecting and upgrading our technology infrastructure.

Since information systems, networks and other technologies are critical to many of our operating activities, system shutdowns or service disruptions and information leakage of our Company or suppliers that provide information systems, networks, or other IT services to us pose increasing risks. Such events may be caused by computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on us and our business, including loss of data and confidential information, damage to our IT systems, a disruption of our operations, damage to our reputation or loss of revenue. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

We have on occasion experienced, and will continue to experience, certain minor threats to our data and systems, such as external cyber attacks with attempt to penetrate our firewall. The number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our suppliers occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices.

We may not be able to adequately protect our intellectual property rights, which could harm the value of our brands and adversely affect our business.

Our success depends partially on our ability to protect our proprietary technology, products and product candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We have established our proprietary technology platform and accumulated manufacturing techniques for our products, which are invaluable know-how and trade secrets. We rely on trademarks, copyrights, patents and the domain names we use to protect our brands and proprietary information, technologies and processes. Establishing and maintaining protection of our intellectual properties and other intangible assets are expensive and time-consuming, and we may not be able to file and

prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may also fail to timely identify patentable aspects of our R&D output, consequently losing patent protection to prevent competitors from developing and commercializing competitive products in all such fields and territories. Any loss of patent protection could have a material adverse impact on one or more of our major products and technologies and our business. As of the Latest Practicable Date, we had 43 issued patents in relation to our technology and products in China, 42 of which were invention patents.

Obtaining and maintaining our patent protection depends on compliance with various procedural requirements imposed by government patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements or changes in patent law of China, or other jurisdictions. Any non-compliance event could result in abandonment or lapse of a patent or patent application. We did not experience any material failure to comply with these requirements during the Track Record Period. However, we cannot assure you that such non-compliance will not occur, in which case our competitors might be able to enter the market, which would have a material adverse effect on our business.

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products and product candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements or include such undertakings in the agreement with parties like our employees and collaborators. However, parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim against a party that illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming with unpredictable outcome.

Our trademarks are valuable assets that support our brands and consumers' perception of our products. As of the Latest Practicable Date, we owned 569 registered trademarks in China. Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion.

Counterfeiting and imitation have occurred in the past for many consumer products. As our brands are well-known in China, we have in the past experienced counterfeiting and imitation of our products. We have established unique device identification ("**UDI**") system, which enables the tracing of most of our products. See "Business – Sales, Distribution and Marketing – Product Tracing." However, we are unable to guarantee that counterfeiting and imitation would not occur or, if it does occur, that we would be able to detect and address the problem effectively. Any occurrence of counterfeiting or imitation could impact negatively upon our reputation and brand image, lead to loss of consumer confidence in our brands, and, as a consequence, adversely affect our results of operations.

Our efforts to enforce or protect our proprietary rights may be ineffective and we may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful. As of the Latest Practicable Date, we were not involved in any material proceeding where a third party challenged the validity or enforceability of our patents that had or was expected to have any material impact on our business. However, we cannot assure you that we will not be subject to such proceedings in the future.

Any discontinuation, reduction or delay in payment of any government grants, tax refund or preferential tax treatments may have an adverse impact on our business.

During the Track Record Period, we benefited from certain government grants and preferential tax treatments. In 2019, 2020, 2021 and the five months ended May 31, 2022, our effective tax rates were 15.0%, 15.1%, 14.9% and 14.9%, respectively, and we received government grants of RMB15.0 million, RMB9.1 million, RMB20.8 million and RMB1.2 million in the same periods, respectively. According to the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the western China Development Strategy (No. 58 [2011] of the Ministry of Finance) (《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》), from January 1, 2011 to December 31, 2020, the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%; and according to the Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of western China (Announcement No. 23 [2020] of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission) (《財政部、稅務總局、國家發展改革委關於延續西部大開發企業所得稅政策的公告》) which was promulgated on 23 April 2020 and became effective from 1 January 2021, our subsidiaries which are located in the western regions of the PRC and engaged in the biopolymer materials industry are entitled to enjoy a reduced rate of enterprise income tax of 15%.

If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations. We cannot assure you that we will continue to receive government grants, or preferential tax treatments at the same level or at all, in which case our business, financial condition and result of operations may be adversely affected.

We are subject to credit risk arising from some of our customers, and our failure to collect on trade and bills receivables from our customers may have a material adverse effect on our business operations and financial condition.

We from time to time grant credit periods to certain customers. As of December 31, 2019, 2020, 2021 and May 31, 2022, our trade and bills receivables were RMB17.3 million, RMB54.5 million, RMB65.6 million and RMB51.6 million, respectively. As a result, we may be exposed to credit risk. We recorded allowance for impairment of trade and bills receivables of RMB0.5 million, RMB0.7 million, RMB0.7 million and RMB1.4 million as of December 31, 2019, 2020, 2021 and May 31, 2022, respectively. Although we have adopted a series of strict management measures, we may not be able to collect all trade and bills receivables due to a variety of factors that are outside of our control. If the relationship between us and any of our customers or distributors is terminated or deteriorated, or if our customers and distributors experience financial difficulties, our corresponding trade and bills receivables might be adversely affected in terms of recoverability, and our business, financial condition and results of operations may be materially and adversely affected.

If we are unable to perform our contracts and fulfill the relevant contract liabilities, our results of operations and financial condition may be adversely affected.

As of December 31, 2019, 2020, 2021 and May 31, 2022, we had contract liabilities of RMB4.0 million, RMB1.2 million, RMB16.3 million and RMB11.2 million, respectively. Our contract liabilities are advances received from customers for the sales of products. If we fail to honor our obligations under our contracts with such customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the relevant prepayments they have made, which may in turn adversely affect our financial position. In addition, if we fail to honor our obligations under our contracts with customers, it may also adversely affect our business relationships with them, which may in turn affect our results of operations in the future.

We are exposed to changes in the fair value of financial assets measured at fair value through profit or loss and valuation uncertainties.

As of December 31, 2019, 2020, 2021 and May 31, 2022, our financial assets at fair value through profit or loss were RMB746.6 million, RMB1,588.3 million, RMB155.6 million and RMB146.0 million, respectively. Our financial assets are measured at fair value, and the changes in their fair values are recorded under other gains or losses in the consolidated statements of comprehensive income, which will directly affect our profit and results of operations. In 2019, 2020, 2021 and the five months ended May 31, 2022, we recognized fair value gains on financial assets at fair value through profit or loss of RMB0.2 million, RMB154.8 million, and RMB14.5 million and fair value losses on financial assets at fair value through profit or loss of RMB7.8 million, respectively. We cannot assure you that we will continue to generate such fair value gain or we may incur fair value loss with respect to our financial assets in the future as the fair value of such financial assets could be subject to factors out of our control such as the macroeconomic environment conditions.

During the Track Record Period, 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 of the fair value hierarchy. The fair value of the financial products is estimated by our Group invests in financial products issued by banks or other financial institutions. We estimated the fair value of these financial products by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. During the Track Record Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. See Note 2.4 to the Accountant's Report included in Appendix I to this document.

We may be exposed to impairment loss risks associated with our prepayments, other receivables and other assets.

During the Track Record Period, our prepayments, other receivables and other assets primarily consisted of prepayments to suppliers, deposits for our DTC stores on e-commerce platforms and deferred [**REDACTED**] expenses. Our prepayments, other receivables and other assets amounted to RMB41.6 million, RMB57.7 million, RMB97.9 million and RMB124.0 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. As of December 31, 2019, 2020, and 2021 and May 31, 2022, we made impairment allowance of RMB1.0 million, RMB0.6 million, RMB0.9 million and RMB0.8 million, respectively, for our prepayments, other receivables and other assets. While we did not experience any material impairment loss on prepayments, other receivables and other assets during the Track Record Period, we cannot assure you that we will not incur any material impairment losses in the future.

The possible impairment losses for other intangible assets may adversely affect our results of operations and financial condition.

Our other intangible assets mainly consisted of our patents and software we purchased for our business operations. Our other intangible assets amounted to RMB9.2 million, RMB8.8 million, RMB7.6 million, and RMB7.4 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. We determine the estimated useful lives and related amortization for our other intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. Our management will revise the amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods. In addition, if any of the estimates does not materialize, or if the performance of our business is not consistent with such estimates, we may be required to have a significant write-off of our other intangible assets and record an impairment loss, which could in turn adversely affect our results of operations and financial condition.

Our share-based payments may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

We adopted share award schemes for the benefit of our directors, officers and employees as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to our success. In 2019, 2020, 2021 and the five months ended May 31, 2022, we recognized share-based compensation expenses of nil, RMB0.6 million, RMB16.5 million and RMB6.9 million, respectively. To further incentivize our employees, we may grant additional incentive shares in the future. Issuance of additional shares with respect to such share-based payments may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payments may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We have adopted a RSU Scheme on December 8, 2021 to promote our long term development and attract and retain our senior management team and core talents. As of the Latest Practicable Date, 19,000,000 Ordinary Shares were allotted and issued to GBEBT Holding, a limited liability company incorporated in the BVI as a platform holding the underlying incentive Shares under the RSU Scheme, representing approximately 1.96% of the total issued share capital of our Company immediately before the [**REDACTED**]. See "Statutory and General Information – D. RSU Scheme" in Appendix IV to this document. As a result, we recognized equity-settled share award expense of RMB16.5 million in 2021. We believe the granting of equity-settled share award is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant equity-settled share award to employees in the future.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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.

The beauty and health industries in China are subject to comprehensive government regulation and supervision, which include strict policies that govern and encompass the approval, registration, manufacturing, packaging, licensing and marketing processes for the relevant products within these industries.

As parts of the beauty and health industries in China is at a nascent stage, and the regulatory framework for the industries have undergone significant changes and have been constantly evolving, with new or more stringent laws, regulations or other regulatory measures being introduced from time to time. Recent changes in laws and regulations relating to cosmetic products mainly include the Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》), the Measures for the Supervision and Administration of Production and Operation of Cosmetics (《化妝品生產經營監督管理辦法》), the Administration of Cosmetic Labels (《化妝品標籤管理辦法》), the Used Cosmetic Ingredients Catalog (2021 version) (《已使用化妝品原料目錄(2021年版)》), the Technical Guidelines for

Cosmetic Safety Assessment (2021 Edition) (《化妝品安全評估技術導則(2021年版)》), the Cosmetic Efficacy Claims Evaluation Norms (《化妝品功效宣稱評價規範》), the Cosmetics Classification Rules and Classification Catalog (《化妝品分類規則和分類目錄》), the Cosmetic Registration and Filing Information Management Regulations (《化妝品註冊備案資料管理規定》), the Cosmetic New Raw Material Registration and Filing Information Management Regulations (《化妝品新原料註冊備案資料管理規定》), the Cosmetic Production Quality Management Practices (《化妝品生產質量管理規範》), the Management of Cosmetic Adverse Reaction Monitoring (《化妝品不良反應監測管理辦法》). See "Regulatory Overview – Regulations Relating to Cosmetic Products". Recent changes in laws and regulations relating to medical devices mainly include the Regulations on Medical Devices (《醫療器械監督管理條例》), the Measures for the Supervision and Administration of Medical Device Manufacture (《醫療器械生產監督管理辦法》), the Administrative Measures for Supervision of the Operation of Medical Devices (《醫療器械經營監督管理辦法》), the Measures for the Administration of Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》), the Revision of the Medical Devices Classification Catalog, the Good Clinical Practice for Medical Devices Trials (《醫療器械臨床試驗質量管理規範》). See "Regulatory Overview – Regulations Relating to Medical Devices Production and Operation."

Our future success will depend, in part, on our ability to (i) continuously improve the know-how of our staff in response to evolving industry standards, and (ii) comply with new regulatory guidance. Our Company may not be successful in responding quickly, cost-effectively and adequately in these areas. If we fail to do so, we may lose our customers, thereby adversely affecting our operations and financial results. While we closely monitor the changes in the relevant laws and regulations and have implemented measures to ensure the continued compliance, the changes in the regulatory regime may materially and adversely affect our business, including:

- we may face increased compliance costs on our business and challenges in the successful development or commercialization of our product candidates in China;
- we may be subject to more stringent or different requirements on the manufacturing of our products and R&D of our product candidates;
- we may encounter greater difficulties in obtaining relevant regulatory approvals;
- our marketing initiatives may be restricted in scope, content, format and other aspects, which may reduce the effectiveness of our marketing efforts; and
- our business partners may be subject to greater regulatory scrutiny in their operations, such as the administration of products to consumers and the qualifications and licenses required for the entities and the relevant personnel.

We currently conduct our R&D and commercialization activities in China, which regulates these activities in great depth and detail and makes regulatory compliance complex and costly. The process of obtaining regulatory approvals and compliance with appropriate laws and regulations require substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or after-approval process, such as manufacturing, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of manufacturing or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. We may incur additional compliance costs. The failure to comply with these regulations could have a material adverse effect on our business, result of operations and financial condition.

Further, we cannot assure you that our customers and other business partners, will be always able to comply with the laws and regulations in a timely manner or at all. Our customers and other business partners may not be able to comply with the regulatory requirements, and we may have to terminate our collaboration with them. They may also terminate collaborations with us if we fail to comply with relevant requirements. As a result, we may experience a decline in revenue, incur higher expenditures, and be subject to negative publicity, all of which will adversely affect our business, results of operations and financial condition.

We may not be able to maintain or renew all the permits, licenses, certificates and other regulatory filings required for our business and operations. If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.

Major aspects of our operations, including product registration or filing, manufacturing, packaging, sales and distribution, pricing, environmental protection, among other things, are regulated by comprehensive local, regional and national regulatory regimes. Such permits, licenses, certificates and other regulatory filings are subject to periodic reviews and renewals by relevant government authorities, and the standards of such reviews and renewals may change from time to time. Although we had obtained all licenses, permits, certificates and other regulatory filings necessary to conduct our operations in all material respects from the relevant government authorities in China as of the Latest Practicable Date, we cannot assure you that such authorities will approve the application for such licenses, permits, certificates and other regulatory filings or their renewal in the future.

We need to complete regulatory filings or obtain registration certificates for certain of our main products from the NMPA or its local branches at the provincial or prefectural city level or from the competent regulatory authorities in other jurisdictions where we sell our products. For instance, medical devices are examined by the NMPA or its local branches at the provincial or prefectural city level, Class II and III medical devices are required to apply for registration certificates from the NMPA or its provincial branch for commercialization and Class I medical devices are required to submit filing materials to the NMPA at the municipal level. In order to obtain such registration certificates, Class II and III medical devices are required to undergo product registration testing and clinical trials, unless they are exempted from clinical trials according to relevant regulations. Moreover, registration certificates for medical device have a five-year term and must be renewed by filing renewal applications with the NMPA or its competent branch. See "Regulatory Overview – Regulations Relating to Medical Devices Production and Operation." If the NMPA or any relevant local regulatory authorities determines not to grant the renewal of our registration certificates, or impose any additional license requirements on us such as the upgrade of our registration certificates as result of any change of PRC laws and regulations or guidelines, we will not be able to continue to manufacture and sell the affected products, which would have a material and adverse effect on our business, results of operations and financial condition.

In addition, as of the Latest Practicable Date, we were developing 103 product candidates, including 50 functional skincare products, 37 medical dressings, four skin rejuvenation products under our beauty product portfolio, and two biomedical products, seven functional foods and three food products for special medical purposes under our health product portfolio. We have limited experience in the registration process relating to special skincare products, medical products and Class III medical devices, and we cannot assure you that we will be able to obtain regulatory approvals for our existing product candidates or any product candidates we may discover, in-license or acquire and seek to develop in the future. The filing and registration process is unpredictable, and may be lengthy and costly, and depends on numerous factors, some of which are beyond our control, including the discretion of regulatory authorities. Significant delays in our ability to obtain approval for such candidates would harm our prospects, business, results of operations and financial condition.

Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect, we may be required to obtain any additional permits, licenses, certificates or other regulatory filings. We cannot assure you that we will respond successfully and timely to such changes. Such changes may also result in increased compliance costs or prevent our successful development, manufacture or commercialization of products in China, which would adversely affect our business, results of operations and financial condition.

Changes in China's economic, political and social conditions or global economic environment could adversely affect our business, results of operations, financial condition, cash flows and prospects.

Due to our extensive operations in China, our business, results of operations and financial condition are affected to a significant degree by the economic, political and social conditions in China. The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, control of foreign exchange and allocation of resources, among other factors. The PRC government has implemented various measures to encourage, but also to control, economic growth and to guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on us. We cannot predict the changes in China's economic, political and social conditions in the future and the impact of the new government policies on our business and prospects. Any actions and policies taken by the Chinese government, or the long term slowdown of Chinese economy, especially the slowdown of the recombinant collagen-based products industry, may have a negative impact on our business, operating performance and financial situation in many ways.

Moreover, the global macroeconomic and geopolitical environment are facing challenges, including the end of quantitative easing and raising the federal funds rate by the U.S. Federal Reserve, the situation in the Eurozone and uncertainties over geopolitical issues, which have resulted in market volatility. The Chinese economy has shown slower growth compared to the previous decade since 2012 and the trend may continue. There have also been concerns over the relationship between China and other countries, including the United States and the surrounding Asian countries. The international trade disputes in recent years, including tariff actions announced by the United States, China and certain other countries, and the uncertainties created by such disputes, may cause disruptions in the international flow of goods and services and may adversely affect the Chinese economy as well as global markets and economic conditions. In addition, the market volatility over the global outbreak of COVID-19 negatively affected the global financial markets, which may cause slowdown of the world's economy. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations, financial condition and prospects.

PRC legal system is evolving and could limit the legal protections available to investors and our Company.

The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value, which is different from common law system. In late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing general economic matters. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign investment in China. However, China has not developed a fully-integrated legal system, and

recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Furthermore, as some of these laws and regulations are relatively new, and because of the limited volume of published court decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as those in other jurisdictions.

Our business and operations are conducted in China and are governed by PRC laws, rules and regulations. These laws and regulations change frequently, and their interpretation and enforcement involve uncertainties. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other government authorities, thus making strict compliance with all regulatory requirements impractical or, in some circumstances, impossible. For instance, we may have to resort to administrative and court proceedings to enforce the legal protections that we benefit from either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in legal systems in more developed nations. Furthermore, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. These uncertainties may also impede our ability to enforce the contracts we have entered into. These uncertainties, together with any development or interpretation of the PRC law unfavorable to us, could materially and adversely affect our business, results of operations and financial condition.

We are subject to laws that are applicable to our business, including advertising and promotion laws, pricing laws and consumer rights and interests protection laws, and other consumer protection laws that could subject us to penalties and other administrative actions.

We advertise our brands and products through various online and offline channels, including e-commerce platforms, social media platforms, advertising screens in shopping malls and posters at retail stores, which is subject to the applicable PRC laws and regulations. See "Business – Sales, Distribution and Marketing – Our Science- and Knowledge-Driven Branding and Marketing." Under PRC advertising laws and regulations, we are required to ensure that the contents of our advertisements are in full compliance with applicable laws and regulations. For example, the advertisements shall not present any false, inaccurate or misleading information, or omit any material information, of the products, services and gifts. Moreover, our marketing and promotion of medical devices, functional foods, food products for special medical purposes and cosmetics are subject to higher standards under PRC laws and regulations, such as the Advertising Law of the People's Republic of China (中華人民共和國廣告法), the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), 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 Interim Measures for the Administration of Internet Advertising (互聯網廣告管理暫行辦法), the Regulation on the Supervision and Administration of Cosmetics (化妝品監督管理條例) and the Measures for the Administration of Cosmetic Labels (化妝品標籤管理辦法).

In addition, our sales of products to consumers are subject to the provisions under PRC pricing laws, such as the Pricing Law of the PRC (中華人民共和國價格法) and the Provisions on Administrative Penalties Against Price-related Illegal Acts (價格違法行為行政處罰規定), and PRC consumer rights and interests protection laws, such as the Consumers Rights and Interests Protection Law of the PRC (中華人民共和國消費者權益保護法) and the Measures for Punishments against Infringements on Consumer Rights and Interests (侵害消費者權益行為處罰辦法).

The e-commerce industry in which we conduct online direct sales is highly regulated. As the e-commerce industry is evolving rapidly in China, new laws and regulations may be adopted to address new issues that arise from time to time and to impose additional restrictions on our e-commerce business. If the PRC government establishes stricter data privacy or other regulatory requirements on e-commerce activities in the future, we may incur significantly higher compliance costs in our online channels, and we cannot assure you that we would be able to meet all the regulatory requirements in a timely manner, or at all. For example, the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), promulgated on August 31, 2018, requires all e-commerce operators, broadly defined to include natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, to abide by the principles of voluntariness, equality, equity and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services, and accept the supervision by the government and the public. See "Regulatory Overview – Regulations Relating to Sales of Our Products" for details. Such legislation and enforcement may result in additional compliance obligations and costs or place restrictions upon our current or future operations. This may in turn materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

If we are found to be in violation of any of such laws and regulations in the future, we may face serious penalties, including fines, revocation of our business licenses and discontinuance of our advertising activities. Moreover, governmental actions and civil claims may be filed against us for misleading or inaccurate advertising or other illegal acts violating pricing laws or consumer rights. Furthermore, if our employees or the third party service providers we engage fail to comply with such laws and regulations, or the relevant government authorities, who have broad discretions in interpreting the laws and regulations, ultimately take a view that is inconsistent with our understanding in the process of administrative law enforcement, we may be subject to potential risks and penalties. We may have to spend significant resources in defending against such actions, and these actions may damage our reputation, result in reduced revenue, and negatively affect our results of operations.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to a number of environmental, health and safety laws and regulations, including but not limited to the treatment and discharge of pollutants into the environment in the process of our business operations. See "Regulatory Overview." In addition, our production lines can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities in China or certain other jurisdictions. We cannot assure you that we will be able to obtain all the regulatory approvals for our production in a timely manner, or at all. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our abilities to develop, manufacture and commercialize our products as we plan. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations. In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of testing, development and manufacturing of our products. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage.

Furthermore, we may be required to incur substantial costs to comply with current or future environmental laws and regulations. These current or future laws and regulations may impair our research, development or manufacturing efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

Laws and regulations related to e-commerce and social media activities in China may impose additional requirements and obligations on our online channels or could increase our compliance cost.

The e-commerce and social media industries in which we have operations is highly regulated. As the e-commerce and social media industries is evolving rapidly in China, new laws and regulations may be adopted to address new issues that arise from time to time and to impose additional restrictions on our e-commerce business. If the PRC government establishes stricter data privacy or other regulatory requirements on e-commerce activities in the future, we may incur significantly higher compliance costs in our online channels, and we cannot assure you that we would be able to meet all the regulatory requirements in a timely manner, or at all. For example, the E-Commerce Law of the People's Republic of China (中華人民共和國電子商務法), promulgated by the SCNPC on August 31, 2018 and implemented on

January, 1 2019, requires all e-commerce operators, broadly defined to include natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, to abide by the principles of voluntariness, equality, equity and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services, and accept the supervision by the government and the public. See "Regulatory Overview – Regulations Relating to Sales of Our Products." Such legislation and enforcement may result in additional compliance obligations and costs or place restrictions upon our current or future operations. This may in turn materially and adversely affect our business, reputation, financial condition, results of operations and prospects.

If we or third parties which we collaborate with fail to comply with data and privacy laws, regulations and policies, our business and reputation will be adversely affected and we might be subject to fines or other regulatory punishments.

During the course of our business, we may produce and get access to confidential information. Therefore, it is critical that our facilities and infrastructure remain secure and are also perceived by the marketplace and our customers to be secure. Despite the implementation of security measures, we may nevertheless be vulnerable to security problems as a result of third-party actions, employee errors or malfeasances, stolen or fraudulently obtained log-in credentials or otherwise.

We are subject to strict requirements under the applicable laws and regulations regarding the collection, use, retention, protection, disclosure, transfer and other processing of personal data, as well as certain contractual obligations. These data protection and privacy law regimes continue to evolve and may result in increasing public scrutiny and escalating levels of enforcement and sanctions against us, as well as increased costs of compliance. Failure to comply with these laws and regulations could have an adverse effect on our business, reputation, results of operations and future prospects.

We also outsource certain portion of clinical trials to reputable third parties in China. If such institutions or personnel divulge the subjects' private or medical records without their consent, they will be held liable for damage caused by such action. Any leakage or abuse of subjects' data by our third-party partners may be perceived by the subjects as a result of our failure. Data protection and privacy laws and regulations generally require clinical trial sponsors and operators and their personnel to protect the privacy of their enrolled subjects and prohibit unauthorized disclosure of personal information. It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our clinical trial practices. Furthermore, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Any failure or perceived failure by us to comply with privacy policies, laws or regulations could have a negative impact on our business.

The PRC government policy on foreign investment in China may adversely affect our business and results of operations.

The investment activities of foreign investors in China are subject to certain restrictive regulations. The Special Management Measures for the Entry of Foreign Investment (Negative List) (2021 version) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "**Negative List**") issued by the NDRC and MOFCOM, which sets out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity ratio and senior management composition, and the industries that are prohibited for foreign investment. Any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our principal business in China did not fall within the Negative List. However, certain industries are specifically prohibited for foreign investment, such as the development and application of technologies for diagnosis and treatment of human stem cells and genes, which may restrict us from entering into these industries.

Also, as the Negative List could be updated in the future, we cannot assure you that the PRC government will not change its policies in a manner that would render part of our business in China within the Negative List. If we cannot obtain approval from relevant approval authorities to engage in a business in China which becomes prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which has become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business lines as a result of changes in government policy on foreign investment, our business, results of operations and financial condition may be adversely affected.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For instance, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得税法) (the "**IIT Law**"), which was amended on June 30, 2011 and came into effect on September 1, 2011, foreign nationals who have domiciles in China, or have no domicile but have resided in China for one year or more, would be subject to PRC individual income tax on their income gained within or outside China. On August 31, 2018, the SCNPC have approved the amendment of the IIT Law, which became effective on January 1, 2019. Under the amended IIT Law, foreign nationals who have no domicile in China but have resided in China for a total of 183 days or more in a tax year, would be subject to PRC individual income tax on their income gained within or outside China. Should such rule be strictly enforced, our ability to attract and retain highly skilled foreign scientists and research technicians to work in China may be

adversely affected. Further adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, results of operations and financial condition.

In addition, according to the Interim Regulation of the PRC on Consumption Tax (中華人民共和國消費稅暫行條例) ("**Consumption Tax Regulation**"), which was introduced on October 11, 2008 and came into effect on January 1, 2009, cosmetics manufactured or imported into PRC were subject to consumption tax at a rate of 30%. On September 30, 2016, the Ministry of Finance and the SAT jointly issued a public notice to amend the Consumption Tax Regulation, which came into effect on October 1, 2016. According to the public notice, budget cosmetics have ceased to be taxable, whilst premium cosmetics including skincare products are subject to consumption tax at a rate of 15%. Moreover, premium cosmetics are defined as cosmetics with a sales price of RMB10/ml(g) or RMB15/piece or higher upon production or import, exclusive of VAT. Such amendment has had an adverse effect on the pricing of our skincare products. In addition, a PRC Consumption Tax Law is expected to substitute for the Consumption Tax Regulation by 2035. Further adjustments or changes to the rate or taxable items of consumption tax could have an adverse effect on our business, results of operations and financial condition.

Implementation of the labor laws and regulations in China may adversely affect our business and results of operations. Failure to fully comply with PRC labor-related laws may expose us to potential liabilities and penalties.

Pursuant to the PRC Labor Contract Law (中華人民共和國勞動合同法) (the "**Labor Contract Law**"), employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Due to lack of detailed interpretative rules and broad discretion of the local competent authorities, it is uncertain as to how the Labor Contract Law and its implementation rules will affect our current employment policies and practices. Our employment policies and practices may violate the Labor Contract Law or its implementation rules, and we may be subject to related penalties, fines or legal fees. Compliance with the Labor Contract Law and its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may also limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

As the interpretation and implementation of labor laws and regulations are still evolving, we cannot assure you that our employment practice policy will at all times be deemed to be in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees, and our business, results of operations and financial condition could be materially and adversely affected.

The PRC government's control of currency conversion, and restrictions on the remittance of RMB into and out of China, may limit our ability to pay dividends and other obligations, and adversely affect the value of your investments.

The PRC government imposes control on the convertibility of RMB into foreign currencies. We receive the vast majority of our revenue in RMB. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency denominated obligations. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, manufacturing, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued the Circular on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) (the "**Circular 82**"), which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in the PRC. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore-incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's

financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As substantially all of our management members are based in the PRC, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of the PRC is a PRC resident enterprise for PRC enterprise income tax purposes, then we or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the* [REDACTED] *of the* [REDACTED] *to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant government authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, the increasing of capital contributions to our PRC subsidiaries is subject to the reporting requirement to the MOFCOM or its local branches and registration with other government authorities in the PRC. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with the SAFE or its local branches, and (ii) our PRC subsidiaries may not procure loans which exceed a statutory limit. We may not be able to complete such reporting or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such reporting or registration, our ability to use the [**REDACTED**] of this [**REDACTED**] and to capitalize our PRC operations may be adversely affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

According to the Announcement of the SAT on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告), or SAT Circular 7, promulgated by the SAT in February 2015 and further revised in October and December 2017, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through the transfer of the equity interests of an offshore holding company without a reasonable commercial purpose, the PRC tax authorities have the power to reassess the nature of the transaction and treat the indirect equity transfer as a direct transfer. As a result, the gain derived from such transfer, i.e., the transfer price minus the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%. Under the terms of SAT Circular 7, a transfer that meets all of the following circumstances shall be directly deemed as having no reasonable commercial purposes: (i) over 75% of the value of the equity interests of the offshore holding company is directly or indirectly derived from PRC taxable properties; (ii) at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territory, or in the year before the indirect transfer, over 90% of the offshore holding company's revenue is directly or indirectly derived from PRC territory; (iii) the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; and (iv) the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

We face uncertainties as to the reporting and other implications of certain future transactions where PRC taxable assets are involved, such as offshore restructuring and sale of the shares in our offshore subsidiaries. We and our non-PRC resident investors may be subject to filing obligations in such transactions, under SAT Circular 7. For transfers of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist with the filing under SAT Circular 7. As a result, we may be required to expend valuable resources to comply with SAT Circular 7 or to request that the relevant transferors from whom we purchase taxable assets comply with these circulars, or to establish that our Company should not be taxed under these circumstances, which may have a material adverse effect on our business, financial condition and results of operations.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules") adopted by six PRC regulatory authorities in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of an affiliated PRC domestic enterprise. Moreover, the PRC Anti-Monopoly Law (中華人民共和國反壟斷法) requires that the anti-trust government authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知) issued by the MOFCOM and became effective in March 2011, specifies that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring business from other game developers or game operators. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

The SAFE has promulgated several regulations that require PRC residents and entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular 37 was promulgated by the SAFE in July 2014 which requires PRC residents or entities to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our Shareholders who are PRC residents or entities and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents or entities who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident or entity who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have requested PRC residents and entities holding direct or indirect interests in our Company to our knowledge to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. However, we may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC residents and, therefore, we may not be able to identify all our Shareholders or beneficial owners who are PRC residents or entities to ensure their compliance with Circular 37 or other related regulations. In addition, we cannot provide any assurance that all of our Shareholders and beneficial owners who are PRC residents or entities will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by Circular 37 or other related regulations, including applicable NDRC and MOFCOM regulations, in a timely manner. Failure by any such Shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could materially and adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or SAFE Circular 7, replacing the previous rules issued by the SAFE in March 2007. Under SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other

procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. In addition, the Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with the SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares are subject to these regulations. Failure to complete SAFE registrations may subject us or them to fines and legal sanctions. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our employees under PRC law.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent government authorities.

Certain judgments obtained against us by our Shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands. Substantially all of our assets are located in China, which is also where all of our current operations are conducted. In addition, a majority of our current directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, because there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

RISKS RELATING TO THE [REDACTED]

The approval, filing or other administration requirements of the CSRC or other PRC government authorities may be required in connection with this* [REDACTED] *and our future capital raising activities under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval.

The M&A Rules require an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and this [**REDACTED**] may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, such CSRC approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for this [**REDACTED**] if such approval is required, or a rescission of such CSRC approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in the PRC, restrictions or limitations on our ability to pay dividends outside of the PRC, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC Legal Advisors have advised us that, based on its understanding of the PRC laws and regulations currently in effect, we will not be required to submit an application to the CSRC for the approval under the M&A Rules for this [**REDACTED**] because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether [**REDACTED**] like the [**REDACTED**] are subject to this regulation; (ii) the WFOE was not established by us through merger or acquisition of the equity or assets of a "PRC domestic company" as such term is defined under the M&A Rules. However, our PRC Legal Advisors further advised that there is uncertainty as to how the M&A Rules will be interpreted or implemented, and new rules or regulations promulgated in the future may impose additional requirement on us. We cannot assure you that relevant PRC government authorities, including the CSRC, would reach the same conclusion as our PRC Legal Advisors, and if it is determined that the CSRC approval is required for this [**REDACTED**], we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the "**July 6 Opinion**"), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications or detailed rules and regulations, there were still uncertainties regarding the interpretation and implementation of the July 6 Opinion. We cannot guarantee that new rules or regulations promulgated in the future pursuant to the July 6 Opinion will not impose any additional requirement on us.

Furthermore, on December 24, 2021, the CSRC, jointly with relevant departments under the State Council, published the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the "**Administration Provisions**"), as well as the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the "**Administrative Measures**"), which are open for public consultation. The Administration Provisions mainly stipulate a filing-based regulatory system that covers both direct and indirect overseas offering and listing. The Administrative Measures provide, among others, the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. The scope of activities subject to the filing and reporting requirement includes making an application for initial public offering in an overseas market and making securities offering after having been listed in an overseas market. The entities subject to filing obligations refer to issuers (a) whose domestic operating entity generated more than 50% of the total assets, net assets, revenues or profits as shown in the issuer's audited consolidated financial statements for the same period in the most recent accounting year, and (b) whose senior management in charge of business operation and management are mostly Chinese citizens or have domicile in China, and whose main places of business are located in China or main business activities are conducted in China. Although there are different interpretations as to whether the two conditions should be satisfied at the same time, given that our domestic operating entity generated 100% of our total revenue as shown in our audited consolidated financial statements for the year ended December 31, 2021, and that our senior management are mostly Chinese citizens and our business activities are mainly conducted in China, we are mostly likely to be subject to the filing obligations as contemplated in the Administrative Measures. In addition, pursuant to the Administrative Measures, PRC domestic companies that directly or indirectly seek to offer or list their securities in an overseas stock exchange are required to file with the CSRC within 3 working days after submitting their application documents to the regulator in the place of intended listing or offering, and the CSRC will, within 20 working days after receiving filing documents that are deemed complete and in compliance with stipulated requirements, issue a filing notice thereof and publish the filing results on the CSRC website. As of the Latest Practicable Date, there was no schedule for the adoptions of such drafts, and it remains unclear whether the versions adopted will have any further material changes. There remain substantial uncertainties about how these drafts will be enacted, interpreted or implemented and how they will affect our operations and the [**REDACTED**]. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for this [**REDACTED**] or future capital raising activities, it is uncertain whether we can or how long it will take us to obtain such approval or complete such procedures, and, even if we obtain such approval, the approval could be rescinded. Any failure to obtain or delay in obtaining such approval or completing such procedures for this [**REDACTED**] or future capital raising activities, or a rescission of any such approval obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in the PRC, limit our ability to pay dividends outside of the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the [**REDACTED**] from this [**REDACTED**] or future capital

raising activities into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the [**REDACTED**] of our Shares. In addition, if the CSRC or other regulatory authorities in the future promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for this [**REDACTED**] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the [**REDACTED**] of our Shares.

The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt this [**REDACTED**] or future capital raising activities before settlement and delivery of the Shares offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

No public market currently exists for our Shares; an active trading market for our Shares may not develop and the [**REDACTED**] ***for our Shares may decline or became volatile.***

Prior to the [**REDACTED**], there has been no public market for our Shares. The initial [**REDACTED**] for our Shares was the result of negotiations between our Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and the [**REDACTED**] may differ significantly from the market price for our Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of and permission to deal in our Shares on the Hong Kong Stock Exchange. There is no assurance that the [**REDACTED**] will result in the development of an active, liquid [**REDACTED**] market for our Shares.

The price and [**REDACTED**] volume of our Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our Shares will trade.

In addition, the Hong Kong Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Hong Kong Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

The price and* [REDACTED] *volume of our Shares may be volatile, which could lead to substantial losses to investors.

The price and [**REDACTED**] volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and [**REDACTED**] volume of our Shares. In addition to market and industry factors, the price and [**REDACTED**] volume of our Shares may be highly volatile for specific business reasons, such as regulatory developments affecting the beauty and health industry and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the share incentive scheme(s).

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to the share incentive schemes, which would further dilute Shareholders' interests in our Company.

Our historical dividends may not be indicative of our future dividend policy, and we cannot assure you that we will declare and distribute any amount of dividends in the future. If we do not pay dividends in the foreseeable future after the* [REDACTED]*, you must rely on price appreciation of our Shares for a return on your investment.

We cannot assure you when and in what form dividends will be paid on our Shares after the [**REDACTED**]. The declaration and distribution of dividends is at the complete discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot assure you that we will make/can make dividend payments on our Shares in the future. See "Financial Information – Dividend and Dividend Policy."

If we retain most, or all, of our available funds and any future earnings after the [**REDACTED**] to fund the development and commercialization of our pipeline product candidates, we may not expect to pay any cash dividends in the foreseeable future. Therefore, you may not be able to rely on an investment in our Shares as a source for any future dividend income.

Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [**REDACTED**] or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

Our Controlling Shareholders have significant influence over the Company and their interests may not be aligned with the interests of the other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised, our Controlling Shareholders will be interested in [**REDACTED**]% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Future sales or perceived sales of substantial amount of our Shares in the public market could materially adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

Prior to the [**REDACTED**], there has not been a public market for our Shares. Future sales or perceived sales by our existing Controlling Shareholders of our Shares after the [**REDACTED**] could result in a significant decrease in the prevailing market price of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the [**REDACTED**] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our Shares and our ability to raise equity capital in the future.

Since there will be a gap of several days between pricing and* [REDACTED] *of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before* [REDACTED] *of our Shares begins.

The [**REDACTED**] of our Shares is expected to be determined on the [**REDACTED**]. However, our Shares will not commence [**REDACTED**] on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after [**REDACTED**]. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [**REDACTED**] begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time [**REDACTED**] begins.

We have significant discretion as to how we will use the net* [REDACTED] *of the* [REDACTED]*, and you may not necessarily agree with how we use them.

Our management may spend the net [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net [**REDACTED**] from the [**REDACTED**] for purposes including funding the R&D activities for our pipeline products, expanding our manufacturing capacities and capabilities, expanding our marketing network and strengthening our brand image, and investing in digitalizing our operations and information systems. See "Future Plans and Use of [**REDACTED**]." However, our management will have discretion as to the actual application of our net [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [**REDACTED**] from this [**REDACTED**].

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is comparatively more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your rights.

Our corporate affairs are governed by our Memorandum and Articles, together with the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See "Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law".

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management or Directors, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such Shareholders are located.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our Shares, the* [REDACTED] *for our Shares and* [REDACTED] *volume could decline.

The [**REDACTED**] market for our Shares may be affected by research reports about us or our business published by the industry or securities analysts. The market price of our Shares would possibly decline if one or more analysts who cover us downgrade our Shares or publish negative opinions about us regardless of the accuracy of the information. We may lose visibility in the financial markets if one or more of these analysts cease coverage of us or fail to regularly publish reports on us, which could cause the market price or [**REDACTED**] volume of our Shares to decline.

Facts, forecasts and statistics in this document relating to the PRC economy and the industry that we operate in may not be fully reliable.

Facts, forecasts and statistics in this document relating to the industry we operate in are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the [**REDACTED**], the Joint Sponsors, [**REDACTED**] nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this document relating to the markets we operate in may be inaccurate and you should not place undue reliance on them. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

Forward-looking statements in this document are subject to risks and uncertainties.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would", and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. See "Forward-looking Statements."

Such forward-looking statements reflect current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this document. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

You should read the entire document carefully and only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [**REDACTED**]**.**

There may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**], which contains, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the [**REDACTED**] and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our [**REDACTED**]. By applying to purchase our Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [**REDACTED**].

In preparation for the [**REDACTED**], we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive Directors must be ordinarily resident in Hong Kong. Given that (i) our core business operations are principally located, managed and conducted in the PRC and the Company's head office is situated in the PRC; (ii) our executive Directors and senior management team principally reside in the PRC; and (iii) the management and operation of the Company have mainly been under the supervision of our executive Directors and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group's businesses and it is important for them to remain in close proximity to the Group's operation located in the PRC, the Company considers that it would be more practical for its executive Directors and senior management to remain ordinarily resident in the PRC where the Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted us], a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives**: we have appointed Mr. Yan, one of the executive Directors, and Ms. Yiu Suk Han ("**Ms. Yiu**"), one of the Joint Company Secretaries, as the authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Ms. Yiu ordinarily resides in Hong Kong whereas Mr. Yan ordinarily resides in the PRC, and Mr. Yan possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See the section headed "Directors and Senior Management" in this document for more information about our Authorized Representatives.

2. **Directors**: to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details of each of our Directors. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.

3. **Compliance adviser**: we have appointed Somerley Capital Limited as our compliance adviser (the "**Compliance Adviser**") in compliance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange during the period from the [**REDACTED**] to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the [**REDACTED**]. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a Member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles they played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Pursuant to Guidance Letter HKEX-GL108-20, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time but in any event not exceeding three years from the date of [**REDACTED**] (the "**Waiver Period**") and on the following conditions: (i) the relevant company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked in the event of a material breach of the Listing Rules by the Company.

We have appointed Ms. Yan Yubo ("**Ms. Yan**") as the one of the joint company secretaries of the Company. See "Directors and Senior Management – Senior Management" in this document for further biographical details of Ms. Yan.

Ms. Yan has years of experience in handling corporate, investor relationship management and administrative matters but personally does not process any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, the Company has appointed Ms. Yiu, an associate member of the Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Ms. Yan for an initial period of three years from the [**REDACTED**] to enable Ms. Yan to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See "Directors and Senior Management – Joint Company Secretaries" in this document for further biographical details of Ms. Yiu. The waiver is valid for an initial period of three years from the [**REDACTED**], and is granted on the condition that Ms. Yiu will work closely with Ms. Yan to jointly discharge the duties and responsibilities as company secretary and assist Ms. Yan in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules.

The following arrangements have been, or will be, put in place to assist Ms. Yan in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Ms. Yan will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) Ms. Yiu will assist Ms. Yan to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company;

(c) Ms. Yan will communicate regularly with Ms. Yiu on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Yiu will work closely with, and provide assistance for, Ms. Yan in the discharge of her duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings; and

(d) Prior to expiry of Ms. Yan's initial term of appointment as the company secretary of our Company, we will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Yan's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted us], a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. Prior to the expiry of the initial three-year period, the qualification of Ms. Yan will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

For further information on our Directors, please refer to the section headed "Directors and Senior Management" of this document.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yan Jianya (嚴建亞)	No. 1808, No. 35 Gaoxin Road Yanta District, Xi'an Shaanxi Province, PRC	Chinese
Dr. Fan Daidi (范代娣)	No. 1808, No. 35 Gaoxin Road Yanta District, Xi'an Shaanxi Province, PRC	Chinese
Ms. Ye Juan (葉娟)	No. 12-2-205 North No. 127 Youyi West Road Beilin District, Xi'an Shaanxi Province, PRC	Chinese
Ms. Fang Juan (方娟)	701, Unit 5, Building 3 Rongxin Park, Rongxin Road Yanta District, Xi'an Shaanxi Province, PRC	Chinese
Non-executive Director		
Mr. Chen Jinhao (陳錦浩)	25G, Building 8, Die Cui Hua Ting No. 305 Guang An Men Wai Street Xicheng District Beijing, PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Huang Jin (黃進)	No. 1006, Building 18 Mingguang Beili Haidian District Beijing, PRC	Chinese
Mr. Shan Wenhua (單文華)	Second Village of Jiaotong University West Xianning Road Beilin District, Xi'an Shaanxi Province, PRC	Chinese
Ms. Wong Sze Wing (黃斯穎)	38/F, Tower 6 88 O King Road New Territories Hong Kong	Chinese (Hong Kong)

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Center
1 Harbor View Street
Central
Hong Kong

[**REDACTED**]

Legal Advisors to the Company

As to Hong Kong and U.S. laws:
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District, Beijing
China

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

As to data compliance matters:
Guantao Law Firm
19/F, Tower B, Xinsheng Plaza
5 Finance Street
Xicheng District
Beijing
PRC

Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Freshfields Bruckhaus Deringer** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 12-14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue, Beijing PRC
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
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 Nanjing West Road Jing'an District Shanghai PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
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
Company's Website	**http://www.xajuzi.com** *(The information on the website does not form part of this document)*
Joint Company Secretaries	**Ms. Yan Yubo** (嚴鈺博) No. 1855, Shanglin Yuan 7th Road Chang'an District, Xi'an Shaanxi Province, PRC **Ms. Yiu Suk Han** (姚淑嫻) *(ACG HKACG)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorised Representatives	**Mr. Yan Jianya** (嚴建亞) No. 1808, No. 35 Gaoxin Road Yanta District, Xi'an Shaanxi Province, PRC **Ms. Yiu Suk Han** (姚淑嫻) 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Audit Committee	Ms. Wong Sze Wing (黃斯穎) *(Chairperson)* Mr. Huang Jin (黃進) Mr. Shan Wenhua (單文華)
Nomination Committee	Mr. Yan Jianya (嚴建亞) *(Chairman)* 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)
Corporate Governance Committee	Mr. Yan Jianya (嚴建亞) *(Chairman)* Ms. Fang Juan (方娟) Mr. Shan Wenhua (單文華)
Compliance Adviser	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Hong Kong
Hong Kong Share Registrar	[**REDACTED**]
Cayman Islands Principal Share Registrar and Transfer Office	[**REDACTED**]
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 High-tech Sub-Branch)** Room A101 Entrepreneurship Development Garden No. 69 Jinye Road High-tech Development Zone, Xi'an Shaanxi Province, PRC

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan[1], which was commissioned by us, and from various official government sources and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors,* [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], *any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

OVERVIEW OF BIOACTIVE INGREDIENTS USED IN THE BEAUTY AND HEALTH SECTORS

The term "bioactive ingredients" generally refers to substances which possess specific biofunctions and bioactivity, and can be found in nature or produced by biotechnologies, specifically synthetic biology techniques. Synthetic biology is at the frontier of biotechnologies in recent years. Synthetic biology is an interdisciplinary area that involves the application of engineering principles to biology, which aims at the design and fabrication of biological parts, devices and systems. Synthetic biology techniques not only can enhance the safety, stability and bioactivity in ingredients and raw materials, but also can customize such substances based on specific requirements, such as different skin types, skin problems, dietary habits and exposure to environments, so as to achieve precision in functions. Synthetic biology has the potential to produce ingredients for beauty and health products in a more sustainable way, at a larger scale and with improved stability, compared to certain traditional methods, namely extractions from petrochemicals, animal sources and plant-based sources. As such, synthetic biology has a broad spectrum of potential applications in cosmetics, food and medicine.

The key types of bioactive ingredients commonly used in the beauty and health sectors mainly include hyaluronic acid, collagen and ginsenosides. Compared with traditional non-bioactive ingredients used in beauty and health products such as glycerol, bioactive ingredients can actively engage with human tissues at a cellular level, and achieve improved safety and efficacy profile. The key features of hyaluronic acid are lubricating and moisturizing the skin. The key benefits of collagen are in skin repair and anti-aging. According to Frost & Sullivan, as an active ingredient extracted from ginseng, ginsenosides help boost the immunity system, reduce cholesterol and blood sugar levels, and contribute to inhibiting tumor growth. Given the aforementioned biological benefits, bioactive ingredients have a broad range of applications in beauty and health sectors, such as skincare, medical dressings, biomedical materials and functional foods. Given the wide range of potential applications, the use of bioactive ingredients in beauty and health sectors are expected to increase and such products will continue to gain popularity.

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1 We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of China's collagen-based product market, and to prepare a report on China's collagen-based product market, professional skin treatment product market, skin rejuvenation application market, collagen-based biomedical material market and rare ginsenosides technology-based functional food market for use in this document, which was commissioned by us for a fee of RMB650,000.

In compiling and preparing the F&S Report, Frost & Sullivan adopted the following assumptions: (i) the social, economic and political conditions in China currently discussed will remain stable during the forecast period, (ii) government policies on China's collagen-based product market, professional skin treatment product market, skin rejuvenation application market, collagen-based biomedical material market and rare ginsenosides technology-based functional food market will remain consistent during the forecast period, (iii) China's collagen-based product market, professional skin treatment product market, skin rejuvenation application market, collagen-based biomedical material market and rare ginsenosides technology-based functional food market will be driven by the factors which are stated in the report in the forecast period.

Key Trends of the China's Beauty and Health Sectors

Growing Popularity of Technology-based Products. Consumers in general are increasingly aware of the underlying science and technologies used in the development of various beauty or health products, leading to a surge in demand for such products. Consumers place greater emphasis on ingredients used in beauty and health products in terms of their efficacy and potential adverse reactions. In particular, they are paying increasing attention to ingredients that are closer to substances found in human tissues or have enhanced biological properties. Consumers are also becoming well versed in science and technology to make informed decisions on products, given the abundance of information available both online and offline. In addition, increasingly affluent population in China with higher purchasing power is expected to drive the demand for technology-based products as their product positioning is generally more premium. According to National Bureau of Statistics and Frost & Sullivan, 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 RMB38.1 thousand in 2022 to RMB54.5 thousand in 2027 at a CAGR of 7.4%.

Advancement in Technologies of Bioactive Ingredients. According to Frost & Sullivan, the advanced technologies in synthetic biology have enabled the mass production of many leading bioactive ingredients without compromising a high level of bioactivity for consumer applications, rendering bioactive ingredients more readily available, stable and affordable to customers. In addition, advancements in synthetic biology have made the production of certain bioactive ingredients possible and in more diverse forms, leading to the abundant possibilities to address specific needs of the consumers. Furthermore, the properties of bioactive ingredients have been increasingly supported by science, research and clinical data. Such advancement in technologies and availability of data also contributes to the feasibility of a clear regulatory framework.

Rise of Chinese Domestic Brands. Although international brands still dominate the beauty and health sectors in China, the proportion of Chinese domestic brands is expected to grow in the future. Chinese consumers are becoming increasingly sophisticated and focused on products' value proposition with better and distinctive functionality and quality. Therefore, Chinese domestic players in the industry are now devoting more resources into R&D with a focus on product development. With the increased R&D investment by Chinese domestic brands, their relevant technologies and product quality are catching up to their international counterparts. Moreover, for certain technologies such as recombinant collagen and rare ginsenosides, Chinese domestic brands even have the leading edge over international brands. In terms of the technology development of recombinant collagen, Chinese domestic brands (including our Company) have developed and successfully commercialized more types of recombinant collagen that can be produced, including Type I, Type II, Type III and mini molecule recombinant collagen, than international brands. In addition, Chinese domestic brands (including our Company) started the mass production of recombinant collagen-based skincare products in 2009, earlier than international brands. Furthermore, compared with international brands who typically focus on medical or biomedical material applications of recombinant collagen, Chinese domestic brands have successfully explored broader

downstream applications such as functional skincare, medical dressings and biomedical materials. In terms of rare ginsenosides technology, Chinese domestic brands have achieved higher production efficiency for certain kinds of rare ginsenosides such as CK, and broader downstream applications such as medicine, skincare and functional foods, compared with international brands. In addition, Chinese domestic brands are closer to Chinese consumers and market trends in China and are thus nimbler in tailoring their research, product development and marketing to address changing consumer preferences and market trends.

Digital Transformation. Digital transformation impacts throughout the product lifecycle from product design, branding, marketing, distribution to consumer interaction and consumer education. Consumers are also influenced by digital transformation, from where they obtain product information, acquiring digital savviness, to behavioral changes in their ultimate choice of purchase. The e-commerce and social media platforms in China have become the frontier of consumer digital experience. The business models of companies, and the industry at large, have had to adapt to digital transformation and those that have done so successfully have thrived.

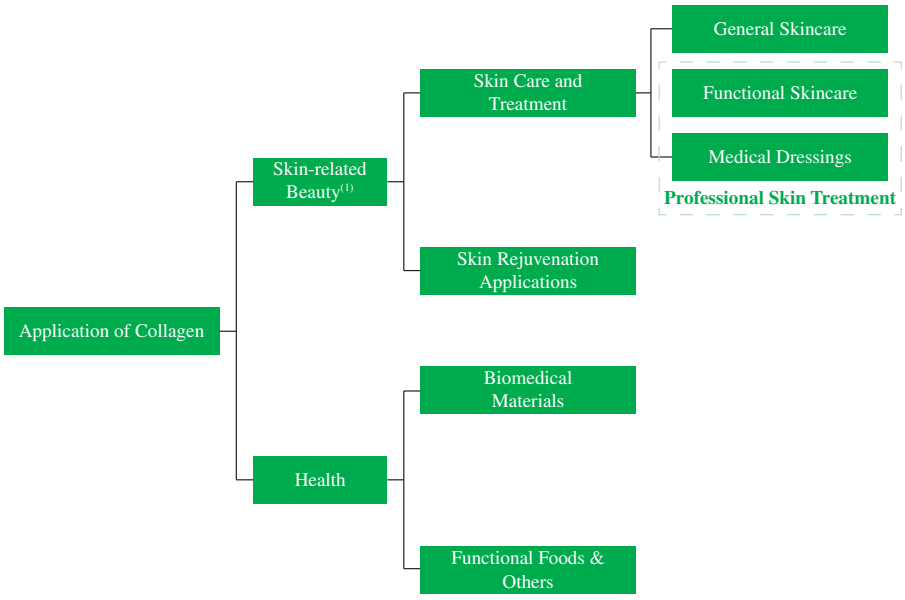
Generation Z and the Millennials. Younger generations like Generation Z and the Millennials are becoming a significant group of consumers that transform the landscape of beauty and health sectors. As they are more digitally savvy and technology-focused, younger generations are more inclined towards purchasing products with proven technologies and brands with better digital focus, with less regard to whether such brands are international or domestic. They are ready to exchange knowledge and experience in online community and embrace the latest innovations in terms of products and ingredients used.

OVERVIEW OF CHINA'S COLLAGEN-BASED PRODUCT MARKET

Introduction of Collagen and its Major Applications

As the most abundant protein in human body, collagen is an ideal ingredient for skincare and skin treatment products, such as (i) functional skincare products, (ii) medical dressings, (iii) general skincare products and (iv) skin rejuvenation applications. Given its hemostatic and cell regenerative property, collagen also serves as an ideal biomedical material for medical and health products, such as implantable medical devices.

Major Applications of Collagen in the Skin-related Beauty and Health Sectors



Note:

(1) The skin-related beauty sector is defined as products used for skin care and treatment and skin rejuvenation in China.

Comparative Analysis between Recombinant Collagen and other Bioactive Ingredients

Among the bioactive ingredients used for skin-related beauty products, hyaluronic acid, active ingredients from plants and collagen all enjoy the established popularity and wide acceptance. The key features of hyaluronic acid are skin lubrication and moisturization. As there are various types of active ingredients from plants with differentiated functions and efficacies, they primarily serve to relieve allergies and inflammation, and also provide anti-oxidant benefits. In contrast, collagen in general possesses additional biological properties in providing structural support, promoting hemostasis and cell adhesion, stimulating cell regeneration and proliferation, repairing damaged skin barrier, and replenishing nutrients for aging and problematic skin. As a result, the advantage of collagen over hyaluronic acid and active ingredients from plants is its efficacy in skin repair and anti-aging. Therefore, collagen has been gaining more market shares and the market share of collagen-based professional skin treatment products became larger than that of products made of active ingredients from plants starting from year 2020 and is expected to exceed that of products made of hyaluronic acid in 2026.

Collagen can be categorized into recombinant collagen and animal-derived collagen. Recombinant collagen is synthesized by genetic engineering, while animal-derived collagen is extracted from animal tissues. Historically, animal-derived collagen has been commonly used in beauty and health products, primarily due to its lower costs of production and simpler production process. However, recombinant collagen has inherent advantages, which include higher levels of bioactivity and biocompatibility, lower level of immunogenicity, lower risk of

undetected pathogens, better water solubility, free from cytotoxicity and the ability to be further processed and optimized. Given the denaturation temperature of recombinant collagen at over 72°C is far above the that of animal-derived collagen at 40°C, recombinant collagen is easier for transportation and storage. With the significant advantages, recombinant collagen is comparably a safer and more suitable material for beauty and health products than animal-derived collagen. Moreover, leading market players including our Company, have propelled the technological advancements in mass production of recombinant collagen at a lower cost, which have increased its popularity and penetration rate.

Comparison Table for Each Type of Collagen and Selected Bioactive Ingredients

	Recombinant Collagen	Animal-derived Collagen	Hyaluronic Acid	Active Ingredients from Plants
Product Features	• Providing structural support, stimulating cell regeneration and proliferation, repairing the damaged skin barrier without potential risk of cytotoxicity and rejection	• Providing structural support, stimulating cell regeneration and proliferation, repairing the damaged skin barrier	• Lubricating and moisturizing skin	• Assisting in resolving skin issues such as allergy, inflammation and oxidation
Market Size[(1)] (2021)	RMB9.4 billion	RMB4.1 billion	RMB19.3 billion	RMB9.3 billion
Major Target Customers[(1)]	• Customers in pursuit of anti-sensitive, anti-acne, anti-pre-mature aging, damaged skin barrier repairing and whitening effects with high level of bioactivity and biocompatibility	• Customers in pursuit of anti-sensitive, anti-acne, anti-pre-mature aging, damaged skin barrier repairing and whitening effects	• Customers in pursuit of moisturization and lubrication effects	• Customers in pursuit of anti-sensitive, anti-acne and anti-pre-mature aging effects
Major Applications	• Functional skincare, medical dressings, skin rejuvenation, biomedical materials and functional foods	• Functional skincare, medical dressings, skin rejuvenation, biomedical materials, functional foods	• Functional skincare, medical dressings, skin rejuvenation, biomedical materials, functional foods	• Functional skincare, functional foods
Limitation of Use	• No significant limitation of use noted	• Potential cytotoxicity and rejection when applied in skin rejuvenation • Difficulties in transportation and storage	• Mainly used for lubrication and moisturization	• No significant limitation of use noted
Price Range[(1)]	RMB90 to RMB790	RMB150 to RMB300	RMB40 to RMB720	RMB60 to RMB580
Shelf Life[(1)]	24-36 months	24-36 months	24-36 months	24-36 months
Production Complexity	High	Medium	Medium	Medium
Major Retail Sales Channels[(1)]	• E-commerce • Offline DTC stores, supermarkets and cosmetic stores • Hospitals, clinics and pharmacies	• E-commerce • Offline DTC stores, supermarkets and cosmetic stores • Hospitals, clinics and pharmacies	• E-commerce • Offline DTC stores, supermarkets and cosmetic stores • Hospitals, clinics and pharmacies	• E-commerce • Offline DTC stores, supermarkets and cosmetic stores
Key Competitive Players and Flagship Products	• Our Company: Recombinant Collagen Medical Dressing	• Company G: Collagen Medical Dressing	• Company C: Hyaluronic Acid Serum	• Company A: Anti-sensitive Cream

Source: Frost & Sullivan

Note:

(1) The market size, major target customers, major retail sales channels, shelf life and price range represent the information for professional skin treatment products based on each kind of bioactive ingredients, respectively, given our Company's main products are professional skin treatment products. The price range refers to typical unit retail price range of professional skin treatment product offered by major players in the industry.

Growth drivers for the increasing penetration rate of recombinant collagen

- *Strong efficacy to address increase in problematic skin conditions*. The urban lifestyle, such as bedtime procrastination and prolonged exposure to blue light from electronic devices, has given rise to various problematic skin conditions, including skin sensitivity, premature skin aging, chronic eczema and allergies, which may lead to stinging, itching, burning redness, dryness, scaling, peeling, bumps and hives. The increase in problematic skin conditions highlights the need for scientific skin treatment solutions that are effective and tailored to the specific skin conditions. Recombinant collagen possesses higher levels of bioactivity and biocompatibility, which promote cell growth and support a high cell adhesion performance, thus offering strong efficacy in repairing damaged skin barriers and addressing such problematic skin conditions.

- *Heightened consumer awareness of technological background of recombinant collagen*. With enhanced skincare awareness education on online and offline media, consumers are increasingly aware of the ingredients, efficacies, safety, science and technology behind the product formulas. In recent years, there are more clinical data and scientific support for the biological properties and efficacies of recombinant collagen. As such, consumers are having a better understanding of biological advantages of recombinant collagen as well as its medical grade applications, which serves as a strong motivation for purchasing recombinant collagen-based products.

- *Development of online sales and marketing channels.* The development of online sales and marketing channels boosted retail sales value of skincare products. From 2017 to 2021, the skin care and treatment market size by retail sales value increased from RMB317.2 billion to RMB558.1 billion, and is expected to further grow from RMB644.1 billion in 2022 to RMB1,159.7 billion in 2027. The proportion of e-commerce sales of skin care and treatment products in China increased from 44.7% in 2017 to 73.5% in 2021, and is expected to further increase to 84.7% in 2027. Accordingly, the e-commerce sales of skin care and treatment products in China increased from RMB141.8 billion in 2017 to RMB410.1 billion in 2021, and is expected to further increase from RMB502.0 billion in 2022 to RMB981.9 billion in 2027. More and more consumers are opting for e-commerce channels given the convenience, wide access of products and services and competitive pricing. Leveraging the increasing internet penetration and prevalent use of mobile devices in China, Chinese domestic businesses and brands often utilize new media and e-commerce platforms to capture target consumers, including the younger generations who are ready to accept innovative ingredients like recombinant collagen, consequently achieving high sales conversion. For example, content marketing via collaborations with influencers on live streams and brand promotion is one of the popular marketing tools.

- *Favorable policies and regulations*. China's National Medical Products Association (NMPA) has introduced the standards for recombinant collagen (both as raw materials and end-products) in the medical and pharmaceutical industry; and is in the process of preparing the technical standards for collagen raw materials for cosmetic products. The PRC Medical and Pharmaceutical Industry Standards, Recombinant Collagen (中華人民共和國醫藥行業標準《重組膠原蛋白》), became effective in August 2022. The implementation of industry-wide standards will further promote the commercial applications of recombinant collagen with clearer regulatory oversight on quality control, testing and raw materials.

- *Technological advancement*. The advanced technologies in synthetic biology have enabled the mass production of recombinant collagen at a lower cost, without compromising a high level of bioactivity for consumer applications. A diverse range of recombinant collagen categories and a comprehensive expression system can achieve efficient synthesis across different types of recombinant collagen for different commercial applications.

Recombinant Collagen Application 1: Professional Skin Treatment (Functional Skincare and Medical Dressing)

Professional skin treatment products are used to address skin issues, such as skin sensitivity, premature skin aging, chronic eczema and allergies, and can also be used for general purposes of consumers. To achieve the desired efficacies, professional skin treatment products contain ingredients such as collagen, hyaluronic acid and plant extracts. Professional skin treatment products include (i) functional skincare products and (ii) medical dressings.

Introduction of China's functional skincare market

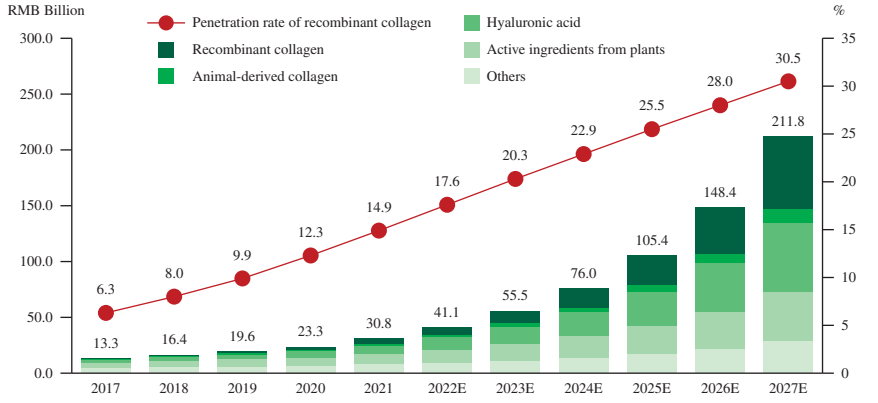
Targeting consumers with problematic skin conditions, functional skincare products are designed with mild formula and active ingredients such as collagen, hyaluronic acid and plant extracts, which enhance skin health with proven benefits. Such skincare products help ensure results through high-performance ingredients that address a spectrum of skin conditions. Due to the unhealthy lifestyle, prolonged exposure to blue light from electronic devices and increasing pollution, there is an increasing number of people with sensitive skin, premature skin aging, chronic eczema and allergies. Such skin conditions may cause symptoms, such as stinging, itching, burning redness, dryness, scaling, peeling, bumps and hives. In 2021, the total number of people with problematic skin reached over 0.4 billion, accounting for over 30% of the total population in China, which is a key demographic group behind the growth of the functional skincare market. More broadly, by providing customized solutions to improve skin conditions, functional skincare products have gained increasing popularity among many consumer groups beyond those with problematic skin conditions.

Market size of China's functional skincare market

China's functional skincare market has experienced a rapid growth in the recent few years due to the emergence of bioactive ingredients. The market size in terms of retail sales value increased from RMB13.3 billion in 2017 to RMB30.8 billion in 2021 at a CAGR of 23.4%. It is projected to reach RMB211.8 billion in 2027 at a CAGR of 38.8% from 2022 to 2027. The collagen-based functional skincare product market has grown from RMB1.6 billion in 2017 to RMB6.2 billion in 2021 at a CAGR of 38.8%. It is expected to further grow from RMB9.4 billion in 2022 to RMB77.5 billion in 2027 at a CAGR of 52.6%, which is higher than that of hyaluronic acid-based products.

In addition, in light of the significant advantages of recombinant collagen over animal-derived collagen, the penetration rate of recombinant collagen-based functional skincare products increased from 6.3% to 14.9% from 2017 to 2021. It is expected to further grow from 17.6% in 2022 to 30.5% in 2027. Furthermore, the market size of the recombinant collagen-based functional skincare products has grown from RMB839.8 million in 2017 to RMB4.6 billion in 2021 at a CAGR of 52.8%. It is expected to further grow from RMB7.2 billion in 2022 to RMB64.5 billion in 2027 at a CAGR of 55.0%.

Market Size of Functional Skincare Product Market (by retail sales value), China, 2017-2027E



	Unit	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	CAGR (17-21)	CAGR (22E-27E)
Recombinant collagen	RMB Billion	0.8	1.3	2.0	2.9	4.6	7.2	11.2	17.4	26.9	41.6	64.5	**52.8%**	**55.0%**
Animal-derived collagen	RMB Billion	0.8	1.0	1.1	1.2	1.6	2.2	3.0	4.1	5.9	8.7	13.0	**18.1%**	**43.2%**
Hyaluronic acid	RMB Billion	2.5	3.4	4.3	5.5	7.8	10.9	15.4	21.7	30.6	43.4	61.7	**32.1%**	**41.3%**
Active ingredients from plants	RMB Billion	4.9	5.8	6.6	7.4	9.3	11.8	15.0	19.4	25.3	33.3	44.4	**17.6%**	**30.4%**
Others[1]	RMB Billion	4.3	4.9	5.6	6.3	7.5	9.0	10.9	13.4	16.7	21.4	28.2	**15.5%**	**25.8%**
Total	**RMB Billion**	**13.3**	**16.4**	**19.6**	**23.3**	**30.8**	**41.1**	**55.5**	**76.0**	**105.4**	**148.4**	**211.8**	**23.4%**	**38.8%**

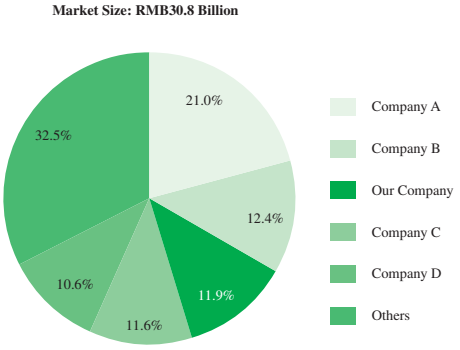
Source: Frost & Sullivan

Note:

(1) Others include ingredients such as ergothioneine and polyglutamic acid.

Competitive landscape of China's functional skincare market

The size of China's functional skincare market reached RMB30.8 billion in terms of retail sales value in 2021, with the top five players, out of approximately hundreds of total industry players, accounting for 67.5% of the market share. Among the top five market players, three of them are Chinese domestic companies, accounting for approximately 44.5% of the market shares, and the other two are international companies, accounting for approximately 23.0% of the market shares in 2021. Our Company ranked third in the functional skincare market and first in the collagen-based functional skincare market, with retail sales value of RMB3.7 billion in 2021. The following table sets forth the top five functional skincare companies in China by retail sales value in 2021:



Rank	Company	Country	Core Ingredients of Key Products	Retail Sales Value	Market Share
				(RMB billion)	*(%)*
1	Company A	Domestic	Active ingredients from plants, hyaluronic acid, collagen	6.5	21.0
2	Company B	International	Carnosine, hydroxyl centella glycoside	3.8	12.4
3	**Our Company**	**Domestic**	**Recombinant collagen**	**3.7**	**11.9**
4	Company C	Domestic	Hyaluronic acid	3.6	11.6
5	Company D	International	Amino acids, ceramides	3.3	10.6
	Top 5	–	–	**20.9**	**67.5**
	Others	–	–	**9.9**	**32.5**
	Total	–	–	**30.8**	**100.0**

Sources: Annual reports and websites of the professional skin treatment product companies, and Frost & Sullivan

Notes:

(1) Company A was founded in 2010 with its headquarters in Yunnan, China, and is a publicly listed leading skincare provider primarily engaged in the R&D, production and sales of professional skin treatment products.

(2) Company B was founded in 1909 with its headquarters in Paris, France, and is a publicly listed and a global well-established company primarily engaged in R&D, production and sales of personal care products, cosmetics and professional skin treatment products.

(3) Company C was founded in 2000 with its headquarters in Shandong, China, and is a publicly listed biotechnology company primarily focusing on the R&D, production and sales of hyaluronic acid-based products.

(4) Company D was founded in 1887 with its headquarters in Tokyo, Japan, and is a publicly listed and a well-established company primarily engaged in R&D, production and sales of personal care products and professional skin treatment products.

Compared with general skincare products, developing, producing and selling functional skincare products require more differentiated technologies and ingredients, accumulated know-hows and specialized expertise, creating higher barriers-to-entry. The concentration in the functional skincare market is relatively high because the leading players have accumulated competitive advantages in research and development (especially in the active ingredients), product development, sales channels and brand image, among others, leading to better sales performance than other players. Meanwhile, there are numerous long-tail, small-scale players in the market that are not comparable to the top five players in terms of retail value.

In the foreseeable future, with new players entering the market and new active ingredients applied in products, the competitive landscape may be subject to further changes and concentration rate may decrease. Nevertheless, it is expected that the top players will continue to maintain leading market positions given various entry barriers such as R&D capability, branding and customer reputation, established sales and distribution channels experience in fulfilment of regulatory requirements, which make it difficult for new players to gain scale and take meaningful market share away from existing players in a short period of time.

Regulations Applicable to Collagen-based Skincare Products in China

A summary of laws and regulations applicable to collagen-based skincare products is set forth below:

- The Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》) made clear the responsibilities of the different parties in the production and operation of cosmetics, and revised the categories of cosmetics.

- The Measures for the Supervision and Administration of Production and Operation of Cosmetics (《化妝品生產經營監督管理辦法》) emphasized that enterprises which engage in the production of cosmetics within the territory of the PRC shall file an application for a cosmetics production license with the drug supervision and administration department.

- The Measures for the Administration of the Registration and Filing of Cosmetics (《化妝品註冊備案管理辦法》) requested a registrant or filing entity of cosmetics and new cosmetic ingredients, when applying for registration or undergoing filing formalities, comply with the requirements of the laws.

See "Regulatory Overview – Regulations Relating to Cosmetic Products."

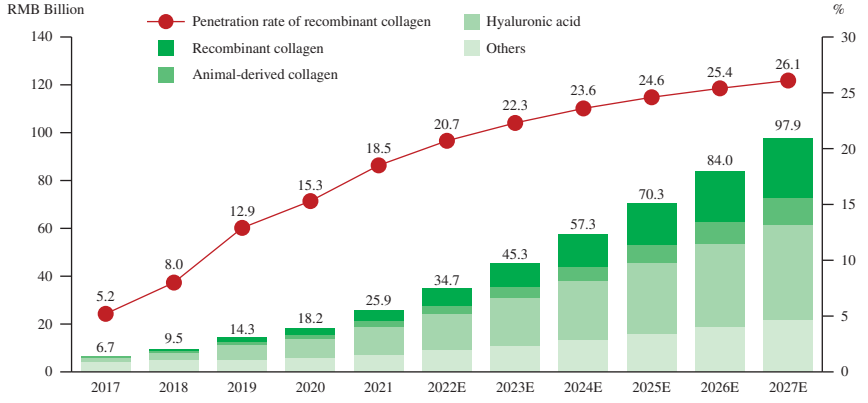
Introduction of China's medical dressing market

Medical dressings are adjuvant therapeutic products catered for the skin repair needs following medical procedures, injuries, chronic eczema and allergies and exclude medical consumables such as gauze. In the PRC, according to the Product Classification Catalog of Medical Devices (《醫療器械分類目錄》), they fall within the category of medical devices, which are further classified into three classes. Higher level in classification requires higher standards and involves prolonged administrative processes, thus creating entry barriers for new applicants. Given the superior properties of collagen and hyaluronic acid, they are commonly used in medical dressings.

Market size of China's medical dressing market

Driven by the increasing demand of skin repair needs, the market of medical dressings has witnessed a robust growth. The market size for medical dressings in China increased from RMB6.7 billion in 2017 to RMB25.9 billion in 2021 at a CAGR of 40.0%, and is expected to further increase from RMB34.7 billion in 2022 to RMB97.9 billion in 2027 at a CAGR of 23.1%. The penetration rate of recombinant collagen-based medical dressings in the overall medical dressing market increased from 5.2% in 2017 to 18.5% in 2021, and is expected to further increase to 26.1% in 2027. The market size of the recombinant collagen-based medical dressings increased from RMB351.6 million in 2017 to RMB4.8 billion in 2021 at a CAGR of 92.2%, and is projected to further grow from RMB7.2 billion in 2022 to RMB25.5 billion in 2027 at a CAGR of 28.8%.

Market Size of Medical Dressings Market (by retail sales value), China, 2017-2027E



	Unit	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	CAGR (17-21)	CAGR (22E-27E)
Recombinant collagen	RMB Billion	0.4	0.8	1.9	2.8	4.8	7.2	10.1	13.5	17.3	21.3	25.5	**92.2%**	**28.8%**
Animal-derived collagen	RMB Billion	0.5	0.8	1.4	1.7	2.5	3.4	4.6	5.9	7.6	9.4	11.3	**49.1%**	**27.2%**
Hyaluronic acid	RMB Billion	1.9	3.1	6.0	8.0	11.5	15.3	19.8	24.6	29.6	34.6	39.5	**57.2%**	**20.8%**
Others[(1)]	RMB Billion	3.9	4.8	5.0	5.7	7.1	8.8	10.8	13.3	15.8	18.7	21.6	**15.3%**	**19.7%**
Total	**RMB Billion**	**6.7**	**9.5**	**14.3**	**18.2**	**25.9**	**34.7**	**45.3**	**57.3**	**70.3**	**84.0**	**97.9**	**40.0%**	**23.1%**

Source: Frost & Sullivan

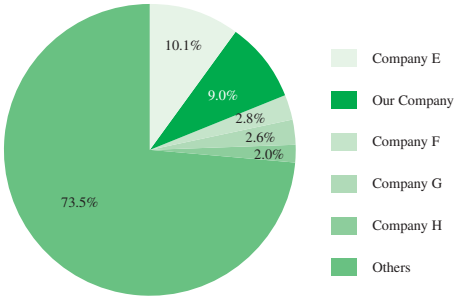
Note:

(1) Others include ingredients such as alginates.

Competitive landscape of China's medical dressing market

The overall scale of China's medical dressing market reached RMB25.9 billion in 2021 in terms of retail sales value. The top five players, out of approximately thousands of industry players, accounted 26.5% of market share in China's medical dressing market, demonstrating fragmented competition. All the top five market players are Chinese domestic companies. Our Company ranked second in the overall medical dressing market and first in collagen-based medical dressing market, with retail sales value of RMB2.3 billion generated in 2021. The following table sets forth the top five medical dressings companies in China by retail sales value in 2021:

Market Size: RMB25.9 Billion



Rank	Company	Country	Core Ingredients of Key Products	Retail Sales Value	Market Share
				(RMB billion)	*(%)*
1	Company E	Domestic	Hyaluronic acid	2.6	10.1
2	**Our Company**	**Domestic**	**Recombinant collagen**	**2.3**	**9.0**
3	Company F	Domestic	Silicone	0.7	2.8
4	Company G	Domestic	Animal-derived collagen	0.7	2.6
5	Company H	Domestic	Silicone	0.5	2.0
	Top 5	**–**	**–**	**6.8**	**26.5**
	Others	**–**	**–**	**19.1**	**73.5**
	Total	**–**	**–**	**25.9**	**100.0**

Sources: Annual reports and websites of the professional skin treatment product companies, and Frost & Sullivan

Notes:

(1) Company E was founded in 2017 with its headquarters in Heilongjiang, China, and is a professional skin treatment company primarily engaged in R&D, production and sales of functional skincare and medical dressing products.

(2) Company F was founded in 1992 with its headquarters in Guangdong, China, and is a publicly listed medical device manufacturer primarily engaged in the R&D, production and sales of medical dressing products, medical products and sanitary products.

(3) Company G was founded in 2002 with its headquarters in Guangdong, China, and is a publicly listed biotechnology company primarily engaged in the R&D, production and sales of professional skincare products based on animal-derived collagen.

(4) Company H was founded in 1991 with its headquarters in Guangdong, China, and is a publicly listed medical device manufacturer for disposable wound-care and surgical products.

Regulations Applicable to Collagen-based Medical Devices in China

A summary of laws and regulations applicable to collagen-based medical devices (including medical dressing, skin rejuvenation and biomedical material) is set forth below:

- The Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) regulated entities that engage in the R&D, production, operation, use, supervision and administration of medical devices in the PRC, including but not limited to registration and filing of medical devices, production of medical devices, operation and use of medical devices, handling of adverse events and recall of medical devices, supervision and inspection of medical devices and corresponding legal liabilities for violations of regulations.

- The Measures for the Supervision and Administration of Medical Device Manufacture (《醫療器械生產監督管理辦法》) requested production enterprises engaged in the production of medical devices shall be approved by the drug supervision and management department and obtain a medical device production license or filing in accordance with the law.

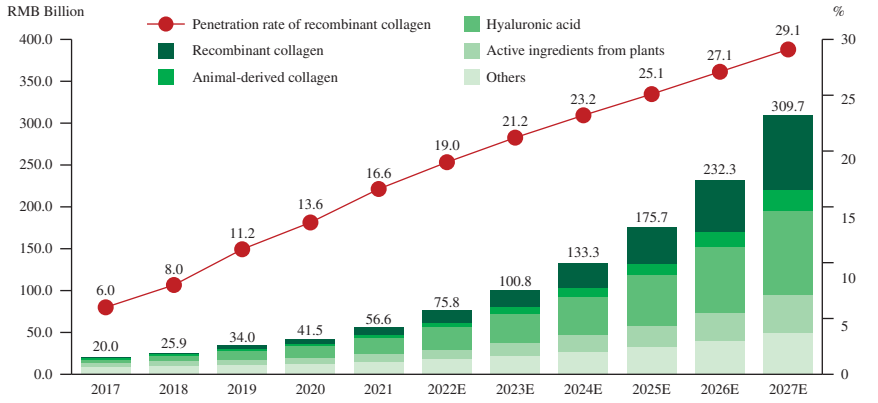
- The Administrative Measures for Supervision of the Operation of Medical Devices (《醫療器械經營監督管理辦法》) requested an enterprise engaging in the operations of Class II medical devices shall file with the food and drug supervision and administration departments of the city with districts where it is located. An enterprise engaging in the operations of Class III medical devices shall obtain operation permit from the food and drug supervision and administration departments of the city with districts where it is located.

See "Regulatory Overview – Regulations Relating to Medical Devices Production and Operation."

Summary of professional skin treatment product market size and competitive landscape in China

The following chart sets forth the breakdown of professional skin treatment product market by material. As a subsegment of professional skin treatment product market, China's bioactive ingredient-based professional skin treatment product market grew from RMB12.1 billion in 2017 to RMB44.4 billion in 2021 by retail sales value, and is expected to further grow to RMB281.0 billion in 2027.

Market Size of Professional Skin Treatment Product Market (by retail sales value), China, 2017-2027E



	Unit	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	CAGR (17-21)	CAGR (22E-27E)
Recombinant collagen	RMB Billion	1.2	2.1	3.8	5.6	9.4	14.4	21.4	30.9	44.2	62.9	90.1	**67.5%**	**44.3%**
Animal-derived collagen	RMB Billion	1.3	1.8	2.5	2.9	4.1	5.6	7.5	10.1	13.5	18.1	24.3	**32.4%**	**34.4%**
Hyaluronic acid	RMB Billion	4.4	6.5	10.4	13.6	19.3	26.3	35.1	46.3	60.2	78.0	101.2	**44.4%**	**31.0%**
Active ingredients from plants	RMB Billion	4.9	5.8	6.6	7.4	9.3	11.8	15.0	19.4	25.3	33.3	44.4	**17.6%**	**30.4%**
Others[(1)]	RMB Billion	8.2	9.7	10.7	12.0	14.5	17.7	21.8	26.6	32.5	40.0	49.7	**15.4%**	**22.9%**
Total	**RMB Billion**	**20.0**	**25.9**	**34.0**	**41.5**	**56.6**	**75.8**	**100.8**	**133.3**	**175.7**	**232.3**	**309.7**	**29.7%**	**32.5%**

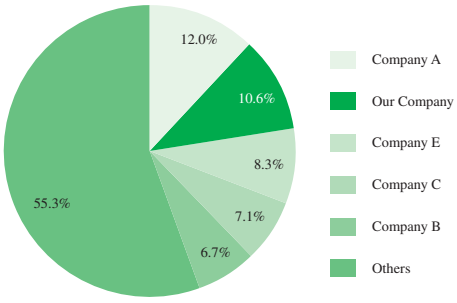
Source: Frost & Sullivan

Note:

(1) Others include ingredients such as ergothioneine, polyglutamic acid and alginates.

China's overall professional skin treatment product market was RMB56.6 billion in 2021. China's recombinant collagen-based professional skin treatment product market was RMB9.4 billion in 2021 in terms of retail sales value. In 2021, the top five players, out of approximately thousands of industry players, accounted for 44.7% of the market share in China's professional skin treatment product market, implying a moderate concentration. Among the top five market players, the top four of them are Chinese domestic companies, accounting for approximately 38.0% of the market shares, and the fifth is an international company, accounting for approximately 6.7% of the market shares in 2021. The following table sets forth the top five professional skin treatment product companies in China by retail sales value in 2021:

Market Size: RMB56.6 Billion

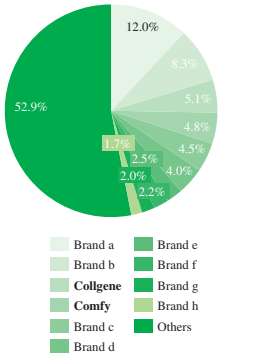


Rank	Company	Country	Core Ingredients of Key Products	Retail Sales Value	Market Share
				(RMB billion)	*(%)*
1	Company A	Domestic	Active ingredients from plants, hyaluronic acid, collagen	6.8	12.0
2	**Our Company**	**Domestic**	**Recombinant collagen**	**6.0**	**10.6**
3	Company E	Domestic	Hyaluronic acid	4.7	8.3
4	Company C	Domestic	Hyaluronic acid	4.0	7.1
5	Company B	International	Carnosine, hydroxyl centella glycoside	3.8	6.7
	Top 5	–	–	**25.3**	**44.7**
	Others	–	–	**31.3**	**55.3**
	Total	–	–	**56.6**	**100.0**

Sources: Annual reports and websites of the professional skin treatment product companies, Frost & Sullivan

In terms of retail sales in 2021, the top ten brands, out of approximately thousands of brands, accounted for 47.1% of the market share in professional skin treatment market, demonstrating moderate competition. Among the top ten brands, six of them are Chinese domestic brands, accounting for approximately 34.7% of the market shares, and the other four are international brands, accounting for approximately 12.4% of the market shares in 2021. *Collgene (可麗金)* and *Comfy (可復美)* ranked third and fourth place in the market, respectively.

Market Size: RMB56.6 Billion



Rank	Brand	Company	Country	Core Ingredient	Typical Unit Price Range	Retail Sales	Market Share
					(RMB)	(RMB Billion)	
1	Brand a	Company A	Domestic	Active ingredients from plants, hyaluronic acid, collagen	60 to 530	6.8	12.0%
2	Brand b	Company E	Domestic	Hyaluronic acid	80 to 290	4.7	8.3%
3	**Collgene (可麗金)**	Our Company	Domestic	**Recombinant collagen**	**110 to 680**	**2.9**	**5.1%**
4	**Comfy (可復美)**	Our Company	Domestic	**Recombinant collagen**	**100 to 460**	**2.7**	**4.8%**
5	Brand c	Company B	International	Carnosine, hydroxyl centella glycoside	70 to 450	2.6	4.5%
6	Brand d	Company D	International	Amino acids	90 to 320	2.3	4.0%
7	Brand e	Company C	Domestic	Hyaluronic acid	100 to 550	1.4	2.5%
8	Brand f	A French medicine and skincare company	International	Mineral components, active ingredients from plants	80 to 300	1.2	2.2%
9	Brand g	Company C	Domestic	Hyaluronic acid	40 to 720	1.2	2.0%
10	Brand h	Company D	International	Ceramides	70 to 300	1.0	1.7%
	Top 10 brands		–	–	–	26.8	47.1%
	Others		–	–	–	29.8	52.9%
	Total		**–**	**–**	**–**	**56.6**	100.0%

Source: Annual reports and websites of the professional skin treatment product companies, Frost & Sullivan

Recombinant Collagen Application 2: Skin Rejuvenation Applications

Introduction of skin rejuvenation application market

As a non-surgical procedure, skin rejuvenation applications are popular among consumers because of its safety, shorter downtime and affordable pricing. Hyaluronic acid, botulinum toxin and collagen are the three major bioactive ingredients suitable for skin rejuvenation applications. Compared with hyaluronic acid and botulinum toxin, collagen has a smaller market share in skin rejuvenation applications due to high production cost and safety concerns of animal derived collagen. However, as recombinant collagen becomes affordable and possesses diverse biological properties for skin rejuvenation, recombinant collagen-based skin rejuvenation applications are anticipated to gain a higher market share.

Skin rejuvenation application market size and competitive landscape in China

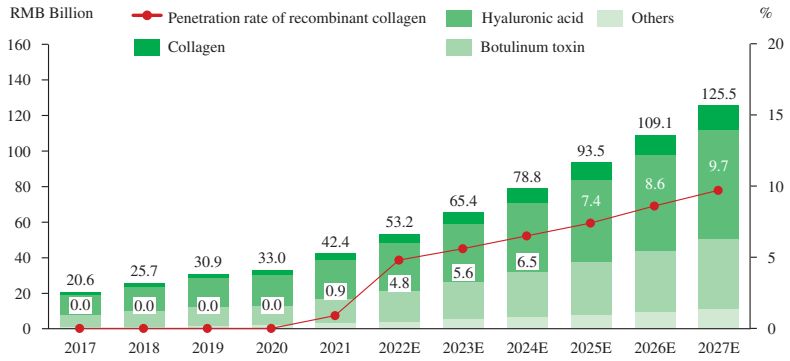
The market size of skin rejuvenation application market in China increased from RMB20.6 billion in 2017 to RMB42.4 billion in 2021 at a CAGR of 19.7%. The market is projected to continue to grow from RMB53.2 billion in 2022 to RMB125.5 billion in 2027 at a CAGR of 18.7%. The skin rejuvenation market in China is not concentrated. As for collagen-based skin rejuvenation segment in China, both Chinese domestic companies and international companies[(1)] are in the market, where the majority of them provide skin rejuvenation products that are animal-derived collagen-based skin rejuvenation products. In 2020, there was no recombinant collagen used in skin rejuvenation applications, but its penetration rate is expected to grow from 4.8% in 2022 to 9.7% in 2027. As of December 31, 2021, only one company[(2)] is granted with Class III medical device registration certificate by NMPA and is allowed to sell recombinant collagen-based skin rejuvenation products in China.

Notes:

(1) Include (i) a publicly listed biotech company that was founded in 2008 and headquartered in Shanxi, China with business focusing on R&D, manufacturing and sales of recombinant collagen-based products, (ii) a biotech company that was founded in 1982 and headquartered in Netherlands with business focusing on R&D, manufacturing and sales of medical device and animal-derived collagen-based skin rejuvenation products, and (iii) a foreign company's PRC subsidiary that was established in 2003 and located in Jilin, China with business focusing on R&D, manufacturing and sales of animal-derived collagen-based skin rejuvenation products.

(2) A publicly listed biotech company that was founded in 2008 and headquartered in Shanxi, China with business focusing on R&D, manufacturing and sales of recombinant collagen-based products.

Market Size of Skin Rejuvenation Application Market (by retail sales value), China, 2017-2027E



	Unit	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	CAGR (17-21)	CAGR (22E-27E)
Collagen	RMB Billion	1.6	2.1	2.6	2.8	3.7	5.1	6.5	8.1	9.8	11.7	13.7	**22.2%**	**21.7%**
Hyaluronic acid	RMB Billion	11.4	13.9	16.4	17.2	21.7	26.9	32.7	39.1	46.0	53.4	61.2	**17.3%**	**17.9%**
Botulinum toxin	RMB Billion	7.0	8.6	10.3	10.9	13.9	17.3	21.1	25.3	29.9	34.7	39.8	**18.5%**	**18.2%**
Others[(1)]	RMB Billion	0.6	1.1	1.6	2.1	3.1	3.9	5.1	6.3	7.8	9.3	10.8	**56.8%**	**22.4%**
Total	**RMB Billion**	**20.6**	**25.7**	**30.9**	**33.0**	**42.4**	**53.2**	**65.4**	**78.8**	**93.5**	**109.1**	**125.5**	**19.7%**	**18.7%**

Source: Frost & Sullivan

Note:

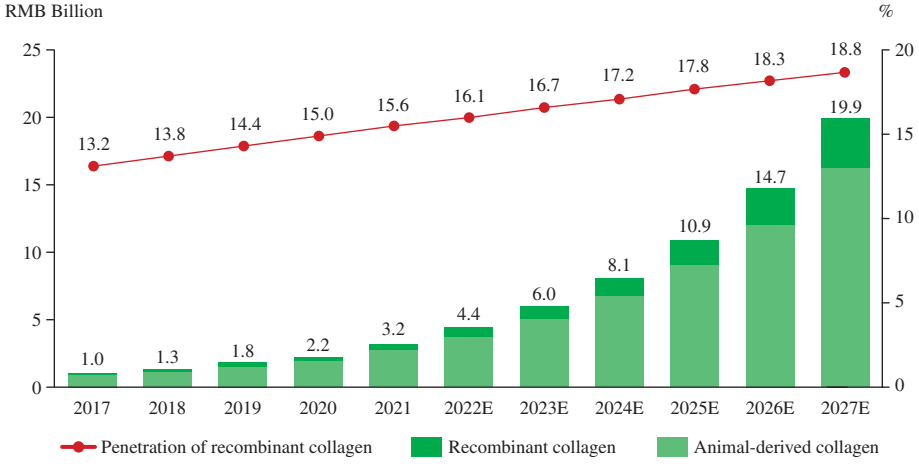
(1) Others include ingredients such as Poly-L-Lactic Acid.

Recombinant Collagen Application 3: Biomedical Materials

Introduction to China's collagen-based biomedical material market and competitive landscape

The market size of China's collagen-based biomedical material market has grown from RMB1.0 billion in 2017 to RMB3.2 billion in 2021 at a CAGR of 33.5%, and is expected to further grow from RMB4.4 billion in 2022 to RMB19.9 billion in 2027 at a CAGR of 35.1%. The collagen-based biomedical material market in China is not concentrated. As for the collagen-based bone repair material segment, the market is not concentrated with Chinese domestic companies accounting for the majority of market shares. As for the collagen-based absorbable biofilm segment, the market is concentrated with an international company dominating the market, which was founded in 1851 and headquartered in Switzerland, with business focusing on developing, producing and sales of medical devices specialized for the regeneration of bone, cartilage and tissue. Given its biocompatibility and ability to promote regeneration of osteoblast (bone-forming cells), recombinant collagen is an ideal bioactive ingredient for implantable medical devices, especially dental bone graft materials.

Market Size of Collagen-based Biomedical Material Product Market (by retail sales value), China, 2017-2027E

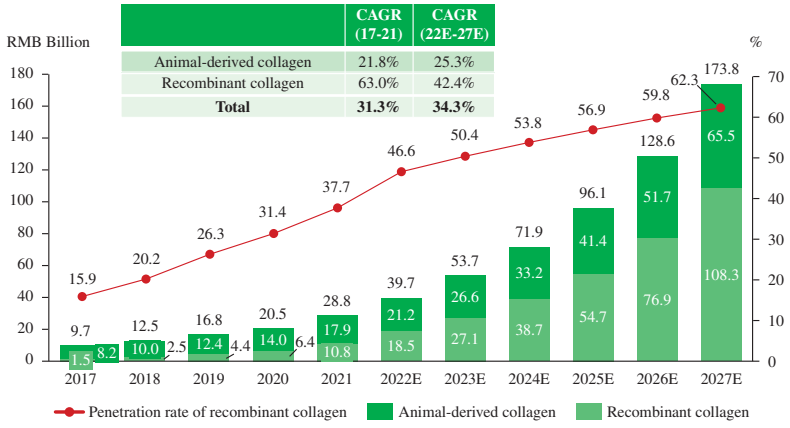


	Unit	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	CAGR (17-21)	CAGR (22E-27E)
Recombinant collagen	RMB Billion	0.1	0.2	0.3	0.3	0.5	0.7	1.0	1.4	1.9	2.7	3.7	**39.1%**	**39.3%**
Animal-derived collagen	RMB Billion	0.9	1.1	1.5	1.9	2.7	3.7	5.0	6.7	9.0	12.0	16.2	**32.5%**	**34.2%**
Total	**RMB Billion**	**1.0**	**1.3**	**1.8**	**2.2**	**3.2**	**4.4**	**6.0**	**8.1**	**10.9**	**14.7**	**19.9**	**33.5%**	**35.1%**

Summary of Market Size of China's Recombinant Collagen-based Product Market

The market size of recombinant collagen products in China by retail sales value increased from RMB1.5 billion in 2017 to RMB10.8 billion in 2021 at a CAGR of 63.0%, and is expected to further increase from RMB18.5 billion in 2022 to RMB108.3 billion in 2027 at a CAGR of 42.4%. Correspondingly, the penetration rate of recombinant collagen products within the overall collagen-based product market increased from 15.9% in 2017 to 37.7% in 2021, and is projected to further increase from 46.6% in 2022 to 62.3% in 2027.

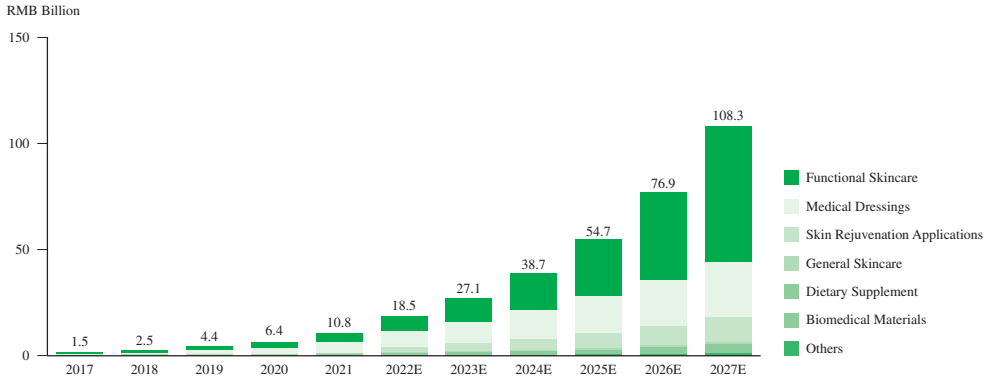
Market Size Breakdown by Technology Path of Collagen-based Product Market (by retail sales value), China, 2017-2027E



Source: Frost & Sullivan

Major applications of collagen include functional skincare, medical dressings and skin rejuvenation application. In the collagen-based functional skincare product market, the recombinant collagen-based functional skincare product market size is meaningfully higher, at RMB4.6 billion, than that of the animal-derived collagen-based functional skincare product market, at RMB1.6 billion, in terms of retail sales value in 2021. Our Company is the only recombinant collagen-based player ranked among the top five market players in the overall functional skincare product market. In the collagen-based medical dressings market, the recombinant collagen medical dressing market size is meaningfully higher, at RMB4.8 billion, than that of animal-derived collagen, at RMB2.5 billion, in terms of retail sales value in 2021. Among the top five market players of the overall medical dressing market, our Company and Company G mainly use collagen as a key ingredient, where our Company uses recombinant collagen and Company G uses animal-derived collagen. In the collagen-based skin rejuvenation application market, animal-derived collagen accounted for the majority of the market share in terms of retail sales value in 2021. Major market players included both Chinese domestic companies and international companies. Among recombinant collagen-based skin rejuvenation players, there is only one company, headquartered in Shanxi, China, granted with Class III medical device registration certificate by NMPA as of December 31, 2021.

Market Size Breakdown by Applications of Recombinant Collagen-based Product Market (by retail sales value), China, 2017-2027E



	Unit	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	CAGR (17-21)	CAGR (22E-27E)
Functional Skincare	RMB Billion	0.8	1.3	2.0	2.9	4.6	7.2	11.2	17.4	26.9	41.6	64.5	**52.8%**	**55.0%**
Medical Dressings	RMB Billion	0.4	0.8	1.9	2.8	4.8	7.2	10.1	13.5	17.3	21.3	25.5	**92.2%**	**28.8%**
Skin Rejuvenation Applications	RMB Billion	–	–	–	–	0.4	2.6	3.7	5.1	7.0	9.3	12.1	**–**	**36.5%**
General Skincare	RMB Billion	0.2	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9	1.0	1.1	**25.4%**	**13.3%**
Dietary Supplement	RMB Billion	–	–	–	–	–	0.1	0.1	0.1	0.1	0.1	0.1	**–**	**18.6%**
Biomedical Materials	RMB Billion	0.1	0.2	0.2	0.3	0.5	0.7	1.0	1.4	1.9	2.7	3.7	**39.1%**	**39.3%**
Others[(1)]	RMB Billion	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.4	0.6	0.9	1.3	**64.7%**	**43.2%**
Total	**RMB Billion**	**1.5**	**2.5**	**4.4**	**6.4**	**10.8**	**18.5**	**27.1**	**38.7**	**54.7**	**76.9**	**108.3**	**63.0%**	**42.4%**

Source: Frost & Sullivan

Note:

(1) Others include applications such as haircare products.

OVERVIEW OF GINSENOSIDES

Ginseng has been widely used in traditional Chinese medicine to boost energy levels and immunity. Ginsenosides are the major active ingredients in ginseng and other Panax genus plants, which have benefits of anti-tumor effects, and lowering blood sugar and lipid levels. Ginsenosides can be categorized into prototype ginsenosides and rare ginsenosides. Prototype ginsenosides exist naturally in ginseng and can be obtained by simple physical purification, while rare ginsenosides are derived from prototype ginsenosides by utilizing synthetic biology techniques, such as enzymatic hydrolysis or microbial fermentation. By altering the properties of prototype ginsenosides to become rare ginsenosides, rare ginsenosides are able to be more easily absorbed by human body and exhibit higher bioactivity when compared with prototype ginsenosides, resulting in a bioactive ingredient that provides enhanced benefits and one that is suitable to be used in health products and drugs.

Applications and Major Products of Rare Ginsenoside

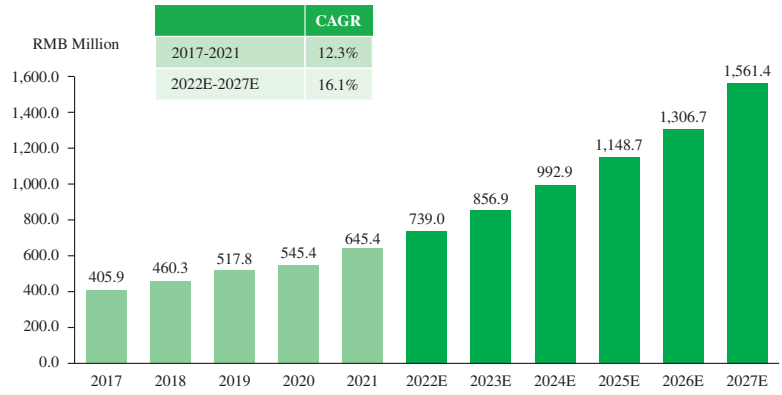
Examples of rare ginsenosides include Rg3, Rh2, Rk1, Rg5, Rk3, Rh4, Rk2, Rk3, CK and aPPD. Given their pharmacological properties which include but are not limited to the ability to suppress tumor growth and enhance immune systems, rare ginsenosides are often used in health products and drugs. Today, Rg3 has been approved for clinical cancer treatment in China, while other types of rare ginsenosides have been applied in a broad range of health products for strengthening immune systems, improving sleep and others. Shenyi Capsule (參一膠囊) is a Rg3 drug, which has been approved for clinical cancer treatment in China. It is categorized as Traditional Chinese Medicine under the classification of the NMPA. When taken during chemotherapy, the Shenyi Capsule is able to improve the chemotherapy's clinical efficacy on liver cancer and tumor cancer, and help cancer patients recover from fatigue.

Market Demand of Rare Ginsenosides

Market size of China's rare ginsenosides technology-based functional food market

Consumers of ginsenoside products mainly come from Asian countries including China, South Korea and Japan, where the traditional medicine culture and practices are relatively popular. China is the world's largest market for rare ginsenosides technology-based functional foods. The sales value of China's rare ginsenosides technology-based functional foods grew from RMB405.9 million in 2017 to RMB645.4 million in 2021 at a CAGR of 12.3% and is further expected to increase to RMB1,561.4 million in 2027 at a higher CAGR of 16.1%. Our Company was the second-largest rare ginsenosides technology-based functional food company by retail sales in China in 2021, with a market share of 24.0%.

Market Size of Rare Ginsenosides Technology-based Functional Food Market (by sales value), China, 2017-2027E



Source: Frost & Sullivan

Growth drivers and trends of rare ginsenosides technology-based functional food market

- *Greater emphasis on health.* With growing affluence and improving living standards, consumers will place greater emphasis on physical health. There is an increasing health demand for healthy lifestyle, such as overall immunity enhancement, sleep improvement and wellness enhancement due to high work intensity and life pressure. The increasing health awareness will enhance the popularity of high-quality and specialized health products, including rare ginsenosides technology-based products.

- *Advancements in Production Technology.* The production of rare ginsenosides has traditionally been limited by high production costs and technological requirements needed to transform prototype ginsenosides into rare ginsenosides. The biotransformation and production process of rare ginsenosides often face challenges such as low production efficiency levels and inadvertent inactivation, which would in turn result in low production yields or quality levels of ingredients produced. As such, the continued advancements in synthetic biology have been critical in the development of rare ginsenosides, as it allows companies to overcome challenges faced during the production process, and enable mass production of multiple types of rare ginsenosides possible for commercial applications. As rare ginsenosides become more readily produced, rare ginsenosides become more cost-effective for health product and drug manufacturers to incorporate into their products, which in turn drive the increase in penetration rate of rare ginsenosides technology-based health products in the overall health product market.

- *Continued in-depth research on rare ginsenosides.* As further in-depth research continues to be conducted on the efficacy and functionalities of rare ginsenosides, such as Rk3, Rh4, Rk1, Rg5 and CK, it is expected that the applications of rare ginsenosides will further expand within and beyond functional foods.

Regulations Applicable to Collagen-based Functional Foods in China

A summary of laws and regulations applicable to collagen-based functional foods in China sets forth below:

- The Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》) regulated food safety and set up a system of the supervision and administration of food safety and adopted food safety standards.

- The Administrative Measures for the Registration and Filing of Dietary Supplements (《保健食品註冊與備案管理辦法》) requested the manufacturers of functional foods shall be subject to product filing with the authority department.

See "Regulatory Overview – Regulations Relating to Functional Food Business."

PRICE TRENDS OF RAW MATERIALS

The cost of raw materials typically accounts for approximately 10%-20% of the revenue from the sales of functional skincare products, medical dressings and functional foods. The raw materials used in the production of these products mainly include chemicals, functional ingredients and packaging materials. In particular, functional ingredients include hyaluronic acid, collagen, ceramide and ginsenosides. High-density polyethylene is one of the main packaging materials used in the production of functional skincare products, medical dressings and functional foods, which is produced from crude oil. Its price may fluctuate alongside crude oil price. Nevertheless, considering the packaging materials cost only accounts for insignificant percentage of revenue, price fluctuations of packaging materials are expected to have very limited impact on product sales.

REGULATIONS

This section mainly sets forth a summary of the most significant rules and regulations that affect our business activities in China. In particular, this section summarizes the (i) regulations relating to foreign investment, as our major domestic subsidiary is foreign-invested enterprises which must comply with the PRC laws and regulations relating to foreign investment; (ii) regulations relating to cosmetic products, as we produce functional skincare products; (iii) regulations relating to medical devices, as we produce medical dressings; (iv) regulations relating to functional foods, as we produce functional foods; and (v) regulations relating to sales of the aforementioned products. Having taken into account that (i) as advised by our PRC Legal Advisors, we had obtained all licenses, permits and certificates necessary to conduct our operations in all material respects from the relevant government authorities in China, and we did not have any material administrative penalty during the Track Record Period and up to the Latest Practicable Date; and (ii) we obtained compliance certificates from relevant authorities in relation to our business operation, our Directors are of the view that our Company had complied with all applicable PRC laws and regulations that affect its business activities during the Track Record Period and up to the Latest Practicable Date in all material respects.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment, operation and management of our PRC companies is governed by the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated on December 29, 1993 and last amended on October 26, 2018. Pursuant to the Company Law of the PRC, foreign-invested companies are also regulated by the Company Law of the PRC, unless where foreign-investment related laws provide otherwise.

On March 15, 2019, the National People's Congress (the "**NPC**"), promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which became effective on January 1, 2020 and replaced the Sino-foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law (《外資企業法》), together with their implementation rules and ancillary regulations. The Foreign Investment Law mainly provides for four forms of foreign investments: (a) establishment of a foreign-invested enterprise within PRC by a foreign investor, individually or collectively with other investors; (b) acquisition of shares or equity interests in, asset interests of, or other like rights and interests of an enterprise within PRC by a foreign investor; (c) investments in a new project within the PRC by a foreign investor, individually or collectively with other investors, and (d) foreign investors' investments in the PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council of the PRC.

On December 26, 2019, the State Council promulgated the Implementing Regulations of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) which became effective on January 1, 2020. The Implementing Regulations of the Foreign Investment Law strictly implements the legislative principles and purpose of the Foreign Investment Law. It emphasizes promoting and protecting the foreign investment and refines the specific measures to be implemented.

The Foreign Investment Law and the Implementing Regulations of the Foreign Investment Law provide that a system of pre-entry national treatment and negative list shall be applied for the administration of foreign investment, where "pre-entry national treatment" means that the treatment given to foreign investors and their investments at market entry stage is no less favorable than that given to domestic investors and their investments, and "negative list" means the special administrative measures for foreign investment's entry to specific fields or industries. Foreign investments beyond the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited fields as specified in the negative list, and foreign investors who invest in the restricted fields shall comply with certain special requirements on shareholding and senior management personnel, etc. In the meantime, relevant competent government departments will formulate a catalog of the specific industries, fields and regions in which foreign investors are encouraged and guided to invest according to the national economic and social development needs. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in two categories, namely The Special Management Measures for the Entry of Foreign Investment (Negative List) (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**Negative List**"), as promulgated on December 27, 2021 by the NDRC and the MOFCOM, and became effective on January 1, 2022 and the Encouraged Industry Catalog for Foreign Investment (2020 version) (《鼓勵外商投資產業目錄(2020年版)》), as promulgated by the NDRC and the MOFCOM on December 27, 2020 and became effective on January 27, 2021. Industries not listed in these two catalogs are generally deemed "permitted" for foreign investment unless specifically restricted by other PRC laws. According to the Negative List, the industry in which we and our PRC subsidiaries are primarily engaged in does not fall into the category of restricted or prohibited industries.

In order to coincide with the implementation of the Foreign Investment Law and the Implementing Regulations of the Foreign Investment Law, the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》) on December 30, 2019, effective from January 1, 2020, which provides that foreign investors or foreign-invested enterprises (the "**FIEs**"), shall submit investment information by submitting initial reports, change reports, deregistration reports, and annual reports through an enterprise registration system and a national enterprise credit information publicity system.

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others.

REGULATIONS RELATING TO COSMETIC PRODUCTS

Regulations Regarding the General Administration of Cosmetics

The Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》) (the "**Supervision Regulation**"), was promulgated by the State Council on June 16, 2020 and became effective on January 1, 2021. The Supervision Regulations mainly provides the follows: (i) Responsibilities of the different parties in the operation of cosmetics. The Supervision Regulations for the first time introduce the concepts of registrant and filing applicant of cosmetics. The applicant for registration or filing of cosmetics shall undertake the main responsibilities for the quality, safety and effectiveness claims of cosmetics. Specifically, an applicant for registration or filing of cosmetics shall be responsible for the registration or filing before sale of such cosmetics, the monitoring of adverse reactions, the evaluation and reporting, product risk control and recall, and safety re-evaluation of the products and ingredients after sale of such cosmetics to ensure quality and safety of the registered or filed products. (ii) Categories of cosmetics and the cosmetic ingredients. Cosmetics are divided into special cosmetics and ordinary cosmetics and the cosmetic ingredients are divided into new ingredients and ingredients that have been used. The production and import of special cosmetics shall be registered with the NMPA. The production of ordinary cosmetics is subject to the filing with the drug supervision and administration department of the people's government of the province, autonomous region, or municipality directly under the Central Government at the place where it is located before they are marketed. The import of ordinary cosmetics is subject to the filing with the NMPA.

Violations of the provisions of the Supervision Regulations will result in various penalties ranging from fines (fixed range or, in cases of severe violations, based on the values of the illegally manufactured goods), confiscation of ingredients, products illegally manufactured or sold and illegally obtained gains, revocation of licenses, and suspension of business. Furthermore, pursuant to the Supervision Regulations, the responsible individual shall be subject to an industry operation banning period for five or ten years or lifelong or even criminal liability.

According to the Announcement of the National Medical Products Administration on Implementation of the Regulations on the Supervision and Administration of Cosmetics (《國家藥監局關於貫徹實施<化妝品監督管理條例>有關事項的公告》) which was issued and became effective on December 28, 2020, all enterprises and organizations which hold registration certificates of special cosmetics (administrative licensing approval documents for

special cosmetics) or have gone through the filing of ordinary cosmetics shall be responsible, for the quality, safety and efficacy claims regarding their cosmetics according to the requirements of these Regulations on cosmetics registrants and filing applicants.

Regulations Regarding the Registration and Filing Requirements of Cosmetic Products

Pursuant to the Measures for the Administration of the Registration and Filing of Cosmetics (《化妝品註冊備案管理辦法》), which was promulgated by the SAMR on January 7, 2021 and became effective on May 1, 2021, an applicant of cosmetics and new cosmetic ingredients shall comply with the requirements of applicable laws, administrative regulations, compulsory national standards and technical specifications when applying for a product registration or submitting a product filing, and is responsible for the accuracy of the materials submitted.

According to the Cosmetics Registration and Filing Information Management Regulations (《化妝品註冊備案資料管理規定》) which was issued on February 26, 2021 and became effective on May 1, 2021, the application for a cosmetic registration or submission of a cosmetic filing shall be made in accordance with the relevant requirements. Applicants shall be responsible, and will be held liable, for the legality, authenticity, accuracy, completeness and traceability of the submitted registration and filing information.

According to the Work Practices on the Registration and Filing Inspection of Cosmetics (《化妝品註冊和備案檢驗工作規範》) promulgated by the NMPA on September 3, 2019, and became effective on the same day, cosmetic enterprises must select an independent and qualified inspection and testing institution to carry out inspection activities ahead of a cosmetics registration or filing inspection.

Regulations Regarding the Production and Operation of Cosmetic Products

The Measures for the Supervision and Administration of Production and Operation of Cosmetics (《化妝品生產經營監督管理辦法》) which was issued on August 2, 2021 and became effective on January 1, 2022, stipulates that any operator engaging in the production of cosmetics in the PRC shall file an application for a cosmetics production license with the relevant drug supervision and administration department of the people's government of the province, autonomous region, or municipality directly under the Central Government at the place where it is located.

According to the Good Manufacturing Practice for Cosmetics (《化妝品生產質量管理規範》) which was issued on January 6, 2022 and became effective on July 1, 2022, applicants and appointed manufacturers shall establish a production quality management system in accordance with the requirements to ensure the continuous and stable production of cosmetics that meet the relevant quality and safety requirements.

Regulations Regarding the Naming and Labeling of Cosmetic Products

According to the Notice by the China Food and Drug Administration (the "CFDA") on Issuing the Provisions and Guidelines on the Naming of Cosmetics (《國家食品藥品監督管理局關於印發化妝品命名規定和命名指南的通知》) which was issued on February 10, 2010, the name of cosmetics sold within the territory of the PRC shall generally consist of trade name, general name and attribute name. The naming of cosmetics may not include false, exaggerated and absolute claims, medical functions, and words that express or imply medical effects.

According to the Measures for the Administration of Cosmetic Labels (《化妝品標籤管理辦法》) which was issued on May 31, 2021 and became effective on May 1, 2022, the smallest sales unit of cosmetics shall be labeled. The labels shall comply with the requirements of the relevant laws, administrative regulations, departmental rules, compulsory national standards and technical specifications. The contents of the labels shall be lawful, authentic, complete, accurate and consistent with the relevant contents registered or filed.

Regulations Regarding Cosmetic Ingredients

According to the Used Cosmetic Ingredients Catalog (2021 version) (《已使用化妝品原料目錄(2021年版)》) which was issued on April 27, 2021 and became effective on May 1, 2021 and the Supervision Regulation, different types of cosmetic ingredients contain different requirements and classifications, with new types cosmetic ingredients deemed to have a higher degree of risk requiring to be registered, and other new types of cosmetic ingredients requiring a filing.

New cosmetic ingredients must comply with the New Cosmetic Ingredients Registration and Filing Information Management Regulations (《化妝品新原料註冊備案資料管理規定》) which was issued on February 26, 2021 and became effective on May 1, 2021. Applicants of new cosmetic ingredients are required to submit a new cosmetic ingredient registration and filing, and are responsible for the legality, authenticity, accuracy, completeness and traceability of the submitted information.

Regulations Regarding the Safety Control of Cosmetic Products

According to the Safety and Technical Standards for Cosmetics (Version 2015) (《化妝品安全技術規範(2015年版)》), which became effective on December 1, 2016, the production of cosmetics shall comply with the relevant specification requirements for the production of cosmetics, and the production process of cosmetics shall be scientific and reasonable to ensure product safety.

According to the Technical Guidelines for Cosmetic Safety Assessment (2021 Edition) (《化妝品安全評估技術導則(2021年版)》) which was issued on April 8, 2021 and became effective on May 1, 2021, applicants must carry out safety assessments in accordance to the Technical Requirements, and submit the relevant safety assessment information in its product registration (special cosmetics) or product filing (ordinary cosmetics).

According to the Management of Cosmetic Adverse Reaction Monitoring (《化妝品不良反應監測管理辦法》) which was issued on February 15, 2022 and became effective on October 1, 2022, applicants shall establish a monitoring and evaluation system for adverse reactions, compile a list of adverse reactions, and report adverse reactions to the relevant monitoring agency in accordance with relevant rules and provisions.

Regulations Regarding the Classification and Efficacy Claims of Cosmetic Products

According to the Cosmetics Classification Rules and Classification Catalog (《化妝品分類規則和分類目錄》) which was issued on April 8, 2021 and became effective on May 1, 2021, applicants are required to refer to and comply with the classification rules in relation to the product classification codes.

According to the Cosmetic Efficacy Claims Evaluation Norms (《化妝品功效宣稱評價規範》) (the "**Norms**") which was issued on April 8, 2021 and became effective on May 1, 2021, evaluation of cosmetic efficacy claims should comply with the requirements stipulated in the Norms. Additionally, the NMPA has also published guidelines on the basis for product efficacy claims on its website.

The Special Action of "Tightening the Enforcement of the Cosmetics-Related Regulations on E-Commerce Platforms" for Cosmetics

Regarding the regulation of the cosmetics industry, the NMPA issued a notice on October 9, 2021 on the special action of "Tightening the Enforcement of the Cosmetics-Related Regulations on E-Commerce Platforms" for cosmetics, which is the extension of the first phase of the same action issued by NMPA on September 25, 2020. The special action focuses on the regulation of cosmetics registration and filing, politicized labeling and illegal promotion of cosmetics, and the regulation of cosmetics with quality and safety risks. The focus of such work is to ensure the smooth implementation of the The Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》) and the related management measures. The special action is from October, 2021 to October, 2022.

REGULATIONS RELATING TO MEDICAL DEVICES PRODUCTION AND OPERATION

Regulations Regarding the General Supervision of Medical Devices

The Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the "**Regulations on Medical Devices**"), as amended by the State Council on February 9, 2021 and became effective on June 1, 2021, regulates entities that engage in the R&D, production, operation, use, supervision and administration of medical devices in the PRC. Medical devices are classified according to their risk levels. Class I medical devices are medical devices with low risks, and the safety and effectiveness of which can be ensured through routine administration. Class II medical devices are medical devices with moderate risks, which are strictly controlled and administered to ensure their safety and effectiveness. Class III medical devices are medical devices with relatively high risks, which are strictly controlled and regulated through special measures to ensure their safety and effectiveness. The evaluation of the risk levels of medical devices takes into consideration the medical devices' objectives, structural features, methods of use and other factors. Registration are required for Class II and Class III medical devices; and filing is required for Class I medical devices. Furthermore, to engage in the business operator of Class II medical devices, the operator shall file for record with the authority department; and to engage in the production of the Class II or Class III medical devices, the producer shall procure a permission with the authority department; while to engage in the production of the Class I medical devices, the producer shall file for record with the authority department. Violations of the Regulations on Medical Devices shall result in various penalties ranging from fines (fixed range or based on the values of the illegally manufactured goods in severe violations), confiscation of products illegally sold and illegally obtained gains, revoking licenses, suspension of business, being refused to review and approve the medical devices permit within five years after such violation, or even criminal liability.

Regulation Regarding the Classification of Medical Devices

The classification of specific medical devices is stipulated in the Catalog of Medical Devices Classification (《醫療器械分類目錄》), which was issued by the CFDA on August 31, 2017 and became effective on August 1, 2018 and later amended on December 18, 2020, March 22, 2022 and March 28, 2022 respectively.

The Announcement of NMPA on Adjusting the Catalog of Medical Devices Classification (《國家藥監局關於調整<醫療器械分類目錄>部分內容的公告》) (the "**2020 Adjustments**"), which became effective on December 18, 2020, adjusted that (i) the regulation categories of 15 medical devices, such as active surgical instruments (Subcategory 01), medical imaging devices (Subcategory 06), ophthalmic devices (Subcategory 16), dental devices (Subcategory 17), gynecology and obstetrics devices (Subcategory 18), clinical examination devices (Subcategory 22); and (ii) the catalog content of 13 medical devices, such as active surgical

instruments (Subcategory 01), medical imaging devices (Subcategory 06), respiratory, anesthesia and first-aid devices (Subcategory 08), ophthalmic devices (Subcategory 16), dental devices (Subcategory 17), Chinese medical devices (Subcategory 20).

The Announcement of NMPA on Adjusting the Catalog of Medical Devices Classification (《國家藥監局關於調整<醫療器械分類目錄>部分內容的公告》) (the "**2022 Adjustments I**"), which became effective on March 22, 2022, adjusted the catalog content of 10 medical devices, such as passive surgical instruments (Subcategory 02), neurological and cardiovascular surgical instruments (Subcategory 03), passive implant devices (Subcategory 13), infusion, care and protection devices (Subcategory 14).

The Announcement of NMPA on Adjusting the Catalog of Medical Devices Classification (《國家藥監局關於調整<醫療器械分類目錄>部分內容的公告》) (the "**2022 Adjustments II**"), which became effective on March 28, 2022, adjusted the catalog content of 27 medical devices, such as passive surgical instruments (Subcategory 02), neurological and cardiovascular surgical instruments (Subcategory 03), orthopedic surgical devices (Subcategory 04), medical imaging devices (Subcategory 06), physical therapy devices (Subcategory 09), passive implant devices (Subcategory 13), infusion, care and protection devices (Subcategory 14), ophthalmic devices (Subcategory 16), dental devices (Subcategory 17), gynecology and obstetrics devices (Subcategory 18), clinical examination devices (Subcategory 22).

The Catalogue of Medical Devices Classification and the Announcement on Adjusting stipulate that scar repair materials, non-absorbable hydrogel dressings, anti-nasal allergy gel, hydrogel eye patches, oral ulcers and tissue wound healing treatment aid materials, liquid dressing, wound care ointment, spray dressing, liquid wound dressing and spray dressing are regulated as Class II medical devices.

Regulations Regarding the R&D and Registration of Medical Devices

Pursuant to the Measures for the Administration of Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) promulgated by the SAMR on August 26, 2021 and came into effect on October 1, 2021, the PRC medical devices of Class I shall be subject to product filing, while the PRC medical devices of Class II and Class III shall be subject to product registration. For Class I domestic medical devices, the applicant shall submit filing materials to the medical products administrative departments at the level of cities divided into districts. For Class II domestic medical devices, the medical products administrative departments of provinces, autonomous regions and municipalities directly under the Central Government shall be responsible for examination, and issuance of registration certificates for medical devices. For Class III domestic medical devices, the NMPA shall be responsible for examination, and issuance of registration certificates for medical devices. For Class I imported medical devices, applicant shall submit filing materials to the NMPA. In addition, the Measures for the Administration of Registration and Filing of Medical Devices also sets out provisions on R&D, clinical evaluation, verification of the registration system, product registration, change of registration, renewal of registration and filing of medical devices.

A registrant shall proactively carry out post-marketing research on a medical device to further confirm the safety, effectiveness and quality control of a medical device, and strengthen the management of the listed medical device. For registered Class II and Class III medical devices, if there are any substantial changes in the design, raw materials, production techniques, applicable scope and usage, among others which may impact its safety and effectiveness, the registrants shall apply to the original registration departments to modify its registration; for other changes, registrants shall file the modifications with the original registration departments within 30 days from the date of the changes.

The Good Clinical Practice for Medical Devices Trials (《醫療器械臨床試驗質量管理規範》) promulgated by the NMPA and the National Health Commission, which was last amended on March 24, 2022 and became effective on May 1, 2022. The regulations stipulate the procedural requirements for medical device clinical trials, including, among others, the protocol design, implementation, monitoring, verification, inspection, and data collection, recording, preservation, analysis, summary and reporting procedure of a clinical trial. When conducting clinical trials for medical devices, an applicant shall formulate scientific and reasonable clinical trial protocols according to the purpose of the trial, and consider comprehensively the risks, technical characteristics, scope of application and expected use of the medical devices. The applicant shall select appropriate and qualified clinical trial institutions and researchers according to the medical device, and enter into a contract with them to specify the rights and obligations of each party in the clinical trials of medical devices. The applicant for clinical trials of medical devices shall be responsible for initiating, applying, organizing and monitoring such clinical trials, and shall be responsible for the authenticity and compliance of the clinical trials.

Regulations Regarding the Production of Medical Devices

Pursuant to the Regulations on Medical Devices, in addition to the medical device registration certificate, the medical device manufacturers shall file with the local NMPA at the municipal level or obtain a production license from the local NMPA at the provincial level before engaging in the production of medical devices. A medical device production license shall be valid for five years. The Measures for the Supervision and Administration of Medical Device Manufacture (《醫療器械生產監督管理辦法》), was promulgated by the CFDA on July 20, 2004 and amended on July 30, 2014, November 17, 2017 and March 10, 2022, which became effective on May 1, 2022, pursuant to which, in the event of entrusted manufacturing of medical devices, the medical devices registrant or the party undergoing filing shall assess the entrusted party's quality assurance capabilities and risk management capabilities, and follow the guidelines for entrusted production to sign the quality agreement and the entrustment agreement with the entrusted party and to supervise the entrusted party to fulfill the obligations agreed upon in the agreement.

Pursuant to the Good Manufacturing Practice for Medical Devices (《醫療器械生產質量管理規範》), which was promulgated on December 29, 2014 and became effective on March 1, 2015, an enterprise engaging in the production of medical devices shall establish and maintain an effective quality control system in accordance to the requirements of the Good Manufacturing Practice for Medical Devices. The regulations set provisions on the organization and personnel, premises and facilities, equipments, document management, design and development, purchasing, production management, quality control, sales and after-sale services of medical devices. The enterprise shall establish a procurement control process and evaluate its suppliers by establishing an examination system to ensure the purchased products are in compliance with the statutory requirements. The enterprise shall implement risk management procedures to the entire process from design and development, production, sales and after-sale services, and the measures taken shall be appropriate to the risks of the products.

Pursuant to the Medical Device Unique Identification System Rules (《醫療器械唯一標識系統規則》) which was issued by NMPA on August 23, 2019, the Announcement of the NMPA on the Matters relating to Effectively Implementing the First Batch of Medical Devices Unique Identification (《國家藥監局關於做好第一批實施醫療器械唯一標識工作有關事項的通告》) which was issued on October 12, 2019, and the Announcement of the NMPA, National Health Commission and National Medical Insurance Bureau on In-depth Promotion of the Pilot to Effectively Implementing the First Batch of Medical Devices Unique Identification (《國家藥監局、國家衛生健康委、國家醫保局關於深入推進試點做好第一批實施醫療器械唯一標識工作的公告》) which was issued on September 29, 2020, certain high-risk Class III medical devices are listed in the first batch of medical devices implementing unique identification from January 1, 2021. In addition, pursuant to the Announcement of the NMPA, National Health Commission and National Medical Insurance Bureau on Effectively Implementing the Second Batch of Medical Devices Unique Identification (《國家藥監局、國家衛生健康委、國家醫保局關於做好第二批實施醫療器械唯一標識工作的公告》) which was issued on September 13, 2021, all Class III medical devices other than those listed in the first batch are listed in the second batch of medical devices unique identification. From June 1, 2022, (i) all Class III Medical devices should wear the medical devices unique identification, except for those listed in the second batch that have been produced before then; (ii) prior to marketing, the product identification and the relevant data of the product shall be uploaded to the medical device unique identification database by the registrant. Pursuant to the aforementioned provisions, the holders of the registration certificates of the medical devices not included in the first and second batch of medical devices unique identification are encouraged to establish the information trace system by utilizing medical device unique identification.

Regulation Regarding the Operation of Medical Devices

According to the Administrative Measures for Supervision of the Operation of Medical Devices (《醫療器械經營監督管理辦法》), which was promulgated by the CFDA on July 30, 2014 and was later amended on November 17, 2017, and March 10, 2022, which became effective on May 1, 2022, pursuant to which, an enterprise engaging in the operations of Class I medical devices is not required to obtain an approval or filing. An enterprise engaging in the operations of Class II medical devices is required to obtain a product filing with the food and drug supervision and administration departments of the city with districts where it is located. An enterprise engaging in the operations of Class III medical devices shall obtain an operation permit from the food and drug supervision and administration departments of the city with districts where it is located. No operation permit or filing is required for the registrant, record holder or manufacturer to sell its medical devices at its domicile or production sites; while an operation permit or filing is required to store and sell medical devices in other places.

Regulations Regarding the Naming and Labeling of Medical Devices

In accordance with the Provisions on the Administration of Instructions and Labels of Medical Devices (《醫療器械説明書和標籤管理規定》) adopted at the executive meeting of the CFDA on June 27, 2014 and implemented on October 1, 2014, the contents in the instructions and labels of medical devices shall be scientific, true, complete, accurate and consistent with product features. Where the instructions and labels fail to meet the requirements set out in the provisions, food and drug supervision and administration department at or above the county level shall impose penalties in accordance with Article 67 of the Regulation of Medical Devices.

The Naming Rules for the Generic Names of Medical Devices (《醫療器械通用名稱命名規則》), was promulgated by the CFDA and became effective from April 1, 2016. For purposes of strengthening the supervision and administration of medical devices and guaranteeing that generic names of medical devices are named in a scientific and standardized manner, the Naming Rules for the Generic Names of Medical Devices stipulates that medical devices sold and used within the territory of the PRC shall have a generic name.

Regulations Regarding the Safety Control of Medical Devices

Pursuant to the Administrative Measures for Medical Device Recalls (《醫療器械召回管理辦法》), which was promulgated by the former CFDA on January 25, 2017 and became effective on May 1, 2017, medical device manufacturers are responsible for reducing and eliminating product defects, and voluntarily recall any defective products. Defective medical devices include products (i) that would cause unreasonable risk to human health and life during the normal use; (ii) that do not conform to the required standards or the technical requirements stipulated on the product registration or filing; (iii) that do not comply with relevant quality management requirements on the production and operation of medical devices any may cause unreasonable risk; and (iv) that need to be recalled.

As defects may cause severe consequences, medical device recalls are divided into three classes, namely: (i) Class I recall, where the circumstances leading to the recall may cause, or have caused, serious harm to health; (ii) Class II recall, where the circumstances leading to the recall may cause, or have caused, temporary or reversible harm to health; or (iii) Class III recall, where the circumstances leading to the recall are not likely to cause harm, but a recall is necessary.

Medical device manufacturers shall determine the appropriate recall class based on the situation and design and implement an appropriate recall plan by taking into consideration the recall class and the sale and use of the medical devices. For Class I recalls, the recall notice shall be published on the NMPA website and major media channels of the central government. For Class II and Class III recalls, the recall notice shall be published on the website of the provincial level, autonomous regions or municipalities of food and drug administrative authority.

In accordance with the Administration Measures for Medical Device Adverse Events Monitoring and Re-evaluation (《醫療器械不良事件監測和再評價管理辦法》) which was issued on August 13, 2018 and became effective on January 1, 2019, the holder of the medical device registration certificate is obliged to collect information with respect to adverse events and report to the monitoring technical regulators in a timely manner. The adverse events are classified as individual medical device adverse events and group medical device adverse events. In the event an individual medical device adverse event occurs, the holder is required to conduct an investigation immediately and report its findings within 7 days if a death has occurred or within 20 days if a serious injury, possible serious injury or possible death has occurred. In the event a group medical device adverse event occurs, the holder, business operator or user aware of the group medical device adverse event shall report to the competent regulatory authorities within 12 hours.

Regulations Regarding the Two-Invoice System

On December 26, 2016, eight government departments including the NMPA issued the Notice on Opinions on the Implementation of the "Two-Invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)的通知》), or the Notice. According to the Notice, the "Two-Invoice System" refers to a system where one invoice is issued by the drug manufacturers to drug distributors on a once-off basis, and another invoice is issued by the drug distributors to medical institutions on a once-off basis.

On March 5, 2018, six government departments including the National Health and Family Planning Commission issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), which implemented centralized purchases of high-value medical consumables, and that the "Two-Invoice System" in relation to high-value medical consumables shall be gradually implemented.

On July 19, 2019, the General Office of the State Council issued the Circular on the Governance of High-value Medical Consumables Reform Program (《國務院辦公廳關於印發治理高值醫用耗材改革方案的通知》), which indicated local governments are encouraged to adopt the "Two-Invoice System" when taking into consideration the local situation, in order to reduce the circulation of high-value medical consumables and promote the transparency of purchases and sales.

Certain provinces have implemented or are encouraged to implement the "Two-Invoice System" for medical consumables. On July 23, 2018, eight local government departments of Shaanxi Province, including Deepen Medical and Healthcare System Reform Leading Group Office of Shaanxi Province (陝西省深化醫藥衛生體制改革領導小組辦公室), issued the Notice on Further Promoting the "Two-Invoice System" on Drugs and Medical Consumables (《關於進一步推進藥品和醫用耗材"兩票制"的通知》), which stipulates that on the basis of the full implementation of the "Two-Invoice System" of medical consumables in the urban public medical institutions, primary medical and healthcare institutions at the county level or below shall begin to implement the "Two-Invoice System" for medical consumables starting from August 1, 2018.

Regulations Regarding the Industry Standards for Recombinant Collagen

On January 13, 2022, the NMPA published two Medical and Pharmaceutical Industry Standards, namely (i) the PRC Medical and Pharmaceutical Industry Standards, Recombinant Collagen (中華人民共和國醫藥行業標準《重組膠原蛋白》) and (ii) the Tissue Engineering Medical Device Products Collagen Part III: Collagen Content Assay – Liquid Chromatography – Mass Spectrometry (《組織工程醫療器械產品膠原蛋白第3部分:膠原蛋白含量檢測-液相色譜儀-質譜法》) in order to encourage the R&D and innovation of new biological materials and promote the development of the recombinant collagen industry. The PRC Medical and Pharmaceutical Industry Standards, Recombinant Collagen, which became effective on August 2022, regulates the quality control of recombinant collagen as raw material for medical devices, and establishes the quality control requirements, testing indexes and testing methods of the recombinant collagen industry.

REGULATIONS RELATING TO FUNCTIONAL FOOD BUSINESS

Regulations Regarding the General Administration of Functional Foods

The Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》), which was effective as from June 1, 2009 and amended by the SCNPC on April 24, 2015, December 29, 2018, April 29, 2021 and became effective on the same date, and the Implementation Regulations of the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法實施條例》), which became effective on July 20, 2009 and later amended by the State Council on February 6, 2016, October 11, 2019, and became effective on December 1, 2019, regulate food safety and establishes a system for the supervision and administration of food safety and outlines standards for food safety. The State Council has implemented a licensing system for food production and sale. To engage in food production, sale or catering services, the enterprise shall obtain a license in accordance with the laws. Furthermore, the State Council implements strict supervision and administration for special categories of foods such as health foods, foods for special medical purposes and infant formula foods.

The Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), promulgated by the CFDA on August 31, 2015 and amended on November 17, 2017 regulates food business licensing activities and strengthens the supervision and management of food business to ensure food safety. Food business operators shall obtain a Food Business License for each business venue where they engage in food business activities. The valid term of a food business license is five years.

According to the Administrative Measures for Functional Foods (《保健食品管理辦法》) issued by the Ministry of Health, on March 15, 1996, any food claimed to have the effect of health-care must be identified by the Ministry of Health.

Regulations Regarding the Registration and Filing Requirements of Functional Foods

According to the Administrative Measures for the Registration and Filing of Functional Foods (《保健食品註冊與備案管理辦法》) promulgated by the CFDA, on February 26, 2016 and amended on October 23, 2020, the manufacturers of functional foods shall apply for a product registration or submit a product filing with the relevant authority.

Regulations Regarding the Naming and Labeling of Functional Foods

The Notice of the SAMR on Issuing the Guidelines on the Naming of Functional Foods (2019 version) (《市場監管總局關於發佈保健食品命名指南(2019年版)的公告》) which was issued on November 10, 2019, the names of functional foods shall generally consist of trade name, general name and attribute name. Names must not include false, exaggerated and absolute claims, and words that express or imply disease prevention and treatment.

The Announcement of the SAMR on Issuing the Guide for the Labeling of Warning Signal Words on Functional Foods (《市場監管總局關於發佈保健食品標注警示用語指南的公告》) which was promulgated by the SAMR on June 10, 2019 and became effective on January 1, 2020, regulates the warning disclosures included on the labels of functional foods.

Regulations Regarding the Raw Materials and Permitted Health Functions Claimed of Functional Foods

Measures for the Administration of the Catalogue of Ingredients and the Catalogue of Health Functions of Functional Foods (《保健食品原料目錄與保健功能目錄管理辦法》) promulgated by the SAMR on August 2, 2019 and became effective on October 1, 2019, stipulates the formulation, adjustment and publication of the catalog of ingredients and the catalog of health functions that are permitted to be claimed for functional foods which are produced and operated within the territory of the PRC.

The Announcement on Promulgation of the Catalogue of Ingredients for Functional Foods (I) and the Catalogue of Permitted Health Functions Claimed by Functional Foods (I) (關於發佈《保健食品原料目錄(一)》和《允許保健食品聲稱的保健功能目錄(一)》的公告) was promulgated by the CFDA, National Health and Family Planning Commission, and the State Administration of Traditional Chinese Medicine on December 27, 2016 and became effective on the same day. Catalogue of Ingredients for Functional Foods (I) regulates the list of ingredients for nutritional supplements, and the Catalogue of Permitted Health Functions Claimed by Functional Foods (I) regulates the list of health functions for nutritional supplements.

REGULATIONS RELATING TO SALES OF OUR PRODUCTS

General Regulations Relating to Sales of Our Products

According to the E-Commerce Law (《電子商務法》) promulgated on August 31, 2018, business activities conducted online to sell commodities or offer services in the PRC shall be governed by the E-Commerce Law. Pursuant to the E-Commerce Law, e-commerce operators include operators of e-commerce platforms, business operators on e-commerce platforms, and other e-commerce operators that sell commodities or offer services on the website they develop themselves or through other network services. Our Company is of the view that as advised by our PRC Legal Advisors, the current business model of our Group does not fall into such business of e-commerce platform operators as stated in the E-Commerce Law because: (i) we conduct online sales through online platforms owned and operated by third parties; and (ii) we do not own or operate any online platform that provides online business premises, transaction matching, information dissemination services for any third parties to facilitate their transaction activities as defined under the E-Commerce Law. Unless otherwise provided, e-commerce operators shall complete the market entity registration. Commodities sold or services offered by e-commerce operators shall meet the requirements to safeguard personal safety and property security and the requirements on environmental protection, and they shall not supply or offer any commodity or service prohibited by laws and administrative regulations. An e-commerce

operator shall also: (i) continuously display and update its business license information and administrative license or relevant information which indicates that it does not need to complete the market entity registration in a prominent position on its homepage or provide the link to the aforesaid information, (ii) disclose information about commodities or services in a comprehensive, truthful, accurate and timely manner so as to safeguard the consumers' right to know and right of choice, and (iii) deliver commodities or services according to its promises or the ways and time limits as agreed upon with consumers, and bear the likely risks and responsibilities when commodities are in transit except when consumers choose a separate logistics service provider.

According to the Measures for the Supervision and Administration of Online Trading (《網絡交易監督管理辦法》) promulgated on March 15, 2021, online trading operators shall not violate the laws, regulations or the State Council's decisions by carrying out unlicensed business. Online trading operators shall conduct the registration for market entities as required, except when registration is not required as specified in the E-Commerce Law.

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated on February 22, 1993 and latest amended on December 29, 2018, manufacturers are liable for the quality of the products they manufacture. In the event that any person manufactures or sells products that do not comply with the relevant national and industrial standards for the protection of the health and safety of human and property, the relevant authority may order such person to suspend the production or sales, confiscate the products illegally manufactured or sold, impose a fine of an amount higher than the value of the products illegally manufactured or sold and less than three times of the value of such products, confiscate illegal gains (if any), and revoke the business license in severe cases. Where the activities constitute a crime, the offender may be prosecuted.

On May 28, 2020, the NPC promulgated the Civil Code of the People's Republic of China (《中華人民共和國民法典》), or the PRC Civil Code, which took effect on January 1, 2021 and replaced the Tort Law of the People's Republic of China (《中華人民共和國侵權責任法》), the Contract Law of the People's Republic of China (《中華人民共和國合同法》), and several other basic civil laws in the PRC. Under the PRC Civil Code, if a product is found to be defective and to compromise the personal and property security of others, the victim may require compensation to be made by the manufacturer or the seller of the product. Where any manufacturer or seller knowingly produces or sells defective products or fails to take effective remedial measures in accordance with the PRC Civil Code and thus causes death or serious damage to the health of another person, such person shall be entitled to claim punitive damages. If the transporter or storekeeper is responsible for the matter, the manufacturer or seller shall have the right to demand compensation for its losses.

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), or the Anti-Unfair Competition Law, which was passed by the SCNPC on September 2, 1993, became effective on December 1, 1993 and was most recently amended on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

According to the Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated on October 27, 1994 and latest amended on April 29, 2021, advertisement shall be expressed in a true, legitimate, healthy manner, and shall not contain false or misleading content, defraud or mislead consumers. Advertisers, advertising agents and advertisement publishers shall abide by the laws, regulations and the principles of justice, honesty and fair competition when carrying out advertising activities. Except for medical, drugs and medical devices advertisements, any other advertisements involving therapeutic function of the disease are prohibited, and no medical terms or terms which are likely to confuse the promoted product with drugs or medical devices shall be used.

The Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), which was promulgated by the SAIC on July 4, 2016, with effect from September 1, 2016, regulates that in internet advertising activities, internet advertisers are responsible for the authenticity of the content of advertisements and all online advertisements must be marked "Advertisement" so that viewers can quickly identify them as such.

Special Regulations Relating to Sales of Our Products

Pursuant to the Regulations on Medical Devices and 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》) promulgated by the SAMR on December 24, 2019 became effective on March 1, 2020, an enterprise qualified for engaging in the production or operation of medical devices shall apply for the publication of any medical devices advertisement with the market regulation, drug supervision and administration departments of the local people's governments of the provinces, autonomous regions or municipalities, and obtain approval of such advertisement of the medical devices. The advertisement of medical devices shall be true and lawful, and its content shall not be false, exaggerated, or misleading. A publisher of medical devices advertisement shall verify approval documents and their authenticity prior to publication. If no approval document was obtained or the authenticity of any approval document has not been verified or the content of the advertisement is inconsistent with the approval documents, such advertisement shall not be published.

According to the Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated on October 27, 1994 and last amended on April 29, 2021, advertisements for medical devices shall not contain: (i) assertions or warranties that indicate efficacy or safety; (ii) a statement of cure rate or efficiency; (iii) comparison on the efficacy and safety with other drugs and medical devices or other medical institutions; (iv) use of advertising spokespersons as recommendations or testimonials; (v) other content prohibited by laws and regulations. The advertisements for functional foods must not contain: (i) assertions or warranties that indicate efficacy or safety; (ii) statements that claim to prevent or treat diseases; (iii) claims or implications that the advertised goods are necessary for health purposes; (iv) comparison with other medicines or other functional foods; (v) using advertising spokespersons for recommendations or testimonials; (vi) other content prohibited by laws and regulations. Advertisements for functional foods shall prominently state that "this product is not a substitute for medicine".

On December 20, 2017, the CFDA promulgated the Measures for the Administration and Supervision of Online Sales of Medical Devices (《醫療器械網絡銷售監督管理辦法》) (the "**Online Medical Devices Sales Measures**"), which became effective on March 1, 2018. According to the Online Medical Devices Sales Measures, enterprises engaged in online sales of medical devices must be medical devices manufacturers and operation enterprises that have obtained a medical device production license or operation license or filing, unless such licenses or filing is not required by the relevant laws and regulations, and the third-party platform that provides online medical devices transaction services shall obtain an Internet Drug Information Service Qualification Certificate. Enterprises engaged in online sales of medical devices and providers of third-party platforms that provide online trading services for medical devices shall take technical measures to ensure that the data and materials of online sales of medical devices are authentic, complete and traceable. These measures include requirements that the records of sales information of medical devices shall be kept for two years after the lifetime of the medical devices, and for no less than five years if no lifetime limit is required, or be kept permanently in the case of implanted medical devices. During the Track Record Period and up to the Latest Practicable Date, we had been in compliance with Online Medical Devices Sales Measures in all material respects. To our Company's best knowledge, as of the Latest Practicable Date, our distributors engaging in online sales of medical devices, including Xi'an Chuangkecun, had obtained all licenses and filing certificates necessary for online sales of medical devices in all material respects in accordance with the Online Medical Devices Sales Measures.

According to the Regulations on the Supervision and Administration of Cosmetics, the contents in cosmetic advertisements should be true and legal. Cosmetics advertising shall not express or imply that the product has a medical effect, shall not contain false or misleading content, shall not deceive or mislead consumers.

MAIN REGULATIONS RELATING TO AESTHETIC MEDICINE SERVICE PROVIDERS

According to the Regulations for the Administration of Medical Institutions (2022 Revision) (《醫療機構管理條例》(2022修訂)), which was promulgated by the State Council of the PRC on February 26, 1994 and became effective on September 1, 1994, and latest amended on March 29, 2022 and became effective on May 1, 2022, and the Implementation Measures of the Regulations for the Administration of Medical Institutions (2017 Revision) (《醫療機構管理條例實施細則》(2017修正)), which was promulgated by the former Ministry of Health of the PRC (中華人民共和國衛生部) (the "**MH**"), currently known as National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) on August 29, 1994 and became effective on September 1, 1994, and latest amended on February 21, 2017 and became effective on April 1, 2017, the establishment of medical institutions must comply with the requirements of relevant areas and the basic standards of medical institutions. Any entity or individual planning to establish a medical institution must comply with the relevant application and approval procedures, and must complete registration with relevant health administration department to obtain the Medical Institution Practicing License (醫療機構執業許可證).

According to the Measures for the Administration of Aesthetic Medicine Services (2016 Revision) (《醫療美容服務管理辦法》(2016修正)), which was promulgated by the MH on January 22, 2002 and became effective on May 1, 2002, and latest amended on January 19, 2016 and became effective on the same day, "aesthetic medicine" refers to repairing and reshaping human appearance and the morphology of various parts of the human body by using surgery, drugs, medical devices, and other traumatic or invasive medical procedures, and "aesthetic medicine institution" refers to a medical institution that mainly conducts the business of aesthetic medicine diagnosis and treatment. Aesthetic medicine projects shall be carried out in corresponding aesthetic medicine institutions or medical institutions with aesthetic medicine divisions (collectively referred to as the "**aesthetic medicine service provider**"). And the medical products used by aesthetic medicine service providers shall obtain approvals from the relevant authorities.

According to the Catalogue of Hierarchical Management of Aesthetic Medicine Projects (《醫療美容項目分級管理目錄》), which was promulgated by the MH on December 11, 2009 and became effective on the same day, aesthetic medicine services are classified into four categories: (i) aesthetic surgery items; (ii) aesthetic dentistry items; (iii) aesthetic dermatological items and (iv) aesthetic Chinese medicine items. Provincial-level counterparts of the MH may adjust the catalogue based on local circumstances. In accordance with the difficulty and complexity of the surgery, the possibility of medical malpractice and the level of surgery risk, the aesthetic surgical items are divided into four grades. Aesthetic dentistry items, aesthetic dermatological items and aesthetic Chinese medicine items were not graded as of the Latest Practicable Date.

The Basic Standards for Aesthetic Medicine Institutions and Aesthetic Medicine Departments (Rooms) (for Trial Implementation) (《美容醫療機構、醫療美容科(室)基本標準(試行)》), which was promulgated by the MH on April 16, 2002 and became effective on the same day, stipulates basic standards that aesthetic medical hospitals, aesthetic medical out-patient departments, aesthetic medical clinics and aesthetic medical departments shall meet, such as the number of beds, clinical departments (rooms) and medical personnel.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

On September 7, 1990, the SCNPC promulgated the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), effective on June 1, 1991 and amended on October 27, 2001, February 26, 2010 and November 11, 2020, respectively. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Center of China.

Under the Regulations on the Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》) that took effect on July 1, 2006 and was amended on January 30, 2013, it further provides that an internet information service provider may be held liable under various situations: (i) if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take effective measures to remove, block or disconnect links to the relevant contents; or (ii) upon the receipt of the copyright holder's notice of such infringement, the service provider fails to take aforementioned measures.

In order to further implement the Regulations on Computer Software Protection (《計算機軟件保護條例》), promulgated by the State Council on December 20, 2001 and amended on January 8, 2011 and January 30, 2013, respectively, the National Copyright Administration issued the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) on February 20, 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 respectively, the Trademark Office of the SAIC is responsible for the registration and administration of trademarks in China. The SAIC under the State Council has established a Trademark Review and Adjudication Board for resolving trademark disputes. Registered trademarks are valid for ten years from the date the registration is approved. A registrant may apply to renew a registration within twelve months before the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for another ten years. On April 29, 2014, the State Council issued the revised the Implementing Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which specified the requirements of applying for trademark registration and renewal. According to this law, using a trademark that is identical to or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**"), promulgated by the SCNPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020 respectively, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) (the "**Implementation Rules of the Patent Law**"), promulgated by the State Council on June 15, 2001 and amended on December 28, 2002 and January 9, 2010, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents, namely "inventions," "utility models" and "designs." Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, from the date of application. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

Domain Names

On August 24, 2017, the Ministry of Industry and Information Technology (the "**MIIT**") promulgated the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (the "**Domain Name Measures**"), which became effective on November 1, 2017. The Domain Name Measures regulate the registration of domain names, such as the China's national top-level domain name ".CN". Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administrative Regulation**"), which were promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008 and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) which was promulgated by the People's Bank of China, on June 20, 1996 and became effective on July 1, 1996. Under these regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government

authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items such as the repayment of foreign currency denominated loans, direct investment overseas and investments in securities or derivative products outside of the PRC. FIEs are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. Violations of the Foreign Exchange Administrative Regulation will result in fines (fixed range or based on the amount of the illegal transmitted amount), confiscation of illegally obtained gains, and suspension of business or revoking business license or even criminal liability.

On March 30, 2015, the SAFE promulgated the Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of FIEs (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), (the "**SAFE Circular 19**"), which took effect on June 1, 2015. According to SAFE Circular 19, the foreign currency capital contribution to an FIE in its capital account may be converted into Renminbi on a discretional basis.

On October 23, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular 28**"). The SAFE Circular 28 provides that non-investment FIEs may use capital to carry out domestic equity investment in accordance with laws under the premise that the investment is not in violation of the applicable special entry management measures for foreign investment (negative list) and the projects invested are true and in compliance with relevant laws and regulations.

On April 10, 2020 the SAFE issued the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), (the "**SAFE Circular 8**"). The SAFE Circular 8 provides that under the condition that the use of the funds is genuine and compliant with current administrative provisions on use of income relating to capital account, enterprises are allowed to use income under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment.

REGULATIONS RELATING TO OFFSHORE SPECIAL PURPOSE COMPANIES HELD BY PRC RESIDENTS

SAFE promulgated Notice on Issues Relating to Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), on July 4, 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic

information (including change of such PRC citizens or residents, name and term of operation), capital increase or capital reduction, transfers or exchanges of shares, or mergers or divisions. SAFE Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purposes Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》).

SAFE further enacted the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the SAFE Circular 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary.

REGULATIONS RELATING TO STOCK INCENTIVE PLANS

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Share Incentive Rules**"), which was issued on February 15, 2012 and other regulations, directors, supervisors, senior management and other employees participating in any share incentive plan of an overseas publicly- listed company who are PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, subject to certain exceptions, are required to register with the SAFE. All such participants need to authorize a qualified PRC agent, such as a PRC subsidiary of the overseas publicly-listed company to register with the SAFE and handle foreign exchange matters such as opening accounts, transferring and settlement of the relevant proceeds. The Share Incentive Rules further require an offshore agent to be designated to handle matters in connection with the exercise of share options, sales of shares underlying the options and remittance of proceeds for the participants of the share incentive plans. Failure to complete the said SAFE registrations may subject our participating directors, supervisors, senior management and other employees to fines and legal sanctions.

REGULATIONS RELATING TO TAXATION

Income Tax

According to the EIT Law, which was promulgated on March 16, 2007, became effective from January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside the PRC with de facto management bodies within the PRC is considered a resident enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The Implementing Rules of the Enterprise Income Law of the PRC (《中華人民共和國企業所得税法實施條例》) (the "**Implementing Rules of the EIT Law**") defines a "de facto management body" as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. Non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income originating from the PRC at the tax rate of 10%. According to the Notice on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy (Cai Shui [2011] No. 58) (《關於深入實施西部大開發戰略有關税收政策問題的通知》(財税[2011]58號)), which was implemented on July 27, 2011, from January 1, 2011 to December 31, 2020, the enterprise income tax imposed upon any enterprise established in western regions in encouraged industries shall be levied at a reduced rate of 15%. According to the Announcement on Continuation of Enterprise Income Tax Policies for Western Development (Announcement [2020] No. 23 of the MOF, the SAT and NDRC), which was implemented on January 1, 2022, from January 1, 2021 to December 31, 2030, the enterprise income tax shall be levied at a reduced tax rate of 15% in the western region in encouraged industries.

On February 3, 2015, the SAT issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得税若干問題的公告》) (the "**SAT Circular 7**"). The SAT Circular 7 repeals certain provisions in the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Income from Equity Transfer by Non-Resident Enterprises (《國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知》) (the "**SAT Circular 698**"), issued by SAT on December 10, 2009 and the Announcement on Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises (《關於非居民企業所得税管理若干問題的公告》) issued by SAT on March 28, 2011 and clarifies certain provisions in the SAT Circular 698. The SAT Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including assets of organizations and premises in PRC, fixed assets in the PRC, equity investments in PRC resident enterprises) or the PRC Taxable Assets. For instance, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is ascertained by the PRC tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, the SAT Circular 7 allows the PRC tax authorities to reclassify the indirect transfer of PRC Taxable Assets into a direct transfer and therefore impose a 10% rate of PRC enterprise income tax on the non-resident enterprise. The SAT Circular 7 lists several factors to be taken into consideration by tax authorities in determining if an indirect transfer has a reasonable commercial purpose.

On October 17, 2017, SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《關於非居民企業所得税源泉扣繳有關問題的公告》) (the "**SAT Circular 37**"), which took effect on December 1, 2017. Certain provisions of the SAT Circular 37 were repealed by the Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents (《國家税務總局關於修改部分税收規範性文件的公告》). According to the SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including various income in monetary form and non-monetary form.

Under the SAT Circular 7 and the Law of the PRC on the Administration of Tax Collection (《中華人民共和國税收徵收管理法》) promulgated by the SCNPC on September 4, 1992 and newly amended on April 24, 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity shall declare and pay tax to the relevant tax authorities within seven days from the occurrence of tax payment obligation. Where the withholding agent does not make the withholding, and the transferor of the equity does not pay the tax payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with the SAT Circular 7.

Withholding Tax on Dividend Distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the Implementing Rules of the EIT Law reduced the rate from 20% to 10%, effective from January 1, 2008. However, a lower withholding tax rate might be applied if there is a tax treaty between China and the jurisdiction of the foreign holding companies, for example, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Double Tax Avoidance Arrangement**"), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the tax authority in charge.

Based on the Notice on Relevant Issues Relating to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. And the Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties (《國家税務總局關於税收協定中「受益所有人」有關問題的公告》), promulgated by the SAT on February 3, 2018 and took effect on April 1 2018, further clarified the analysis standard when determining one's qualification for beneficial owner status.

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council on December 13, 1993 and as most recently amended on November 19, 2017, and the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值税暫行條例實施細則》), which was promulgated by the Ministry of Finance of the PRC (the "**MOF**"), and SAT on December 15, 2008 and became effective on January 1, 2009 and as amended on October 28, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax (the "**VAT**"). Unless otherwise provided, the rate of VAT is 17% on sales and 6% on the services. On April 4, 2018, MOF and SAT jointly promulgated the Circular of the MOF and the SAT on Adjustment of Value-Added Tax Rates (《財政部、國家税務總局關於調整增值税税率的通知》) (the "**Circular 32**"), according to which (i) for VAT taxable sales acts or import of goods originally subject to VAT rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to tax rate of 11%, such tax rate shall be adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, such tax shall be calculated at the tax rate of 12%; (iv) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%.

REGULATIONS RELATING TO EMPLOYMENT

The Labor Law of the PRC (《中華人民共和國勞動法》) (the "**Labor Law**"), and its implementation rules provide that enterprises and institutions must establish and improve work safety and health system, strictly enforce national regulations and standards on work safety and health, and carry out work safety and health education for workers. Working safety and health facilities shall meet national standard. Enterprises and institutions shall provide workers with working safety and health conditions meeting national rules and standards on labor protection.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), and its implementation rules provide requirements concerning employment contracts between an employer and its employees. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the one month anniversary of the commencement date of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations.

Pursuant to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), which was promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, effective from March 1, 2014, employers may employ dispatched workers in temporary, auxiliary or substitutable positions provided that the number of dispatched workers shall not exceed 10% of the total number of its workers. Pursuant to the Labor Law, if the employer violates the relevant labor dispatch regulations, the labor administrative department shall order it to make corrections within a prescribed time limit; if it fails to make corrections within the time limit, penalty will be imposed on the basis of more than RMB5,000 and less than RMB10,000 per person.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, effective on July 1, 2011 and last amended on December 29, 2018, the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》), issued by the State Council on January 22, 1999 and last amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), issued by the State Council on April 3, 1999 and last amended on March 24, 2019, enterprises in China are required to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. Any employer that fails to make sufficient social insurance contributions in a timely manner may be order to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue. In addition, any employer that fails to make sufficient and timely contributions to the housing funds may be order to rectify the non-compliance and pay the required contributions within a prescribed time limit, and will also be subject to mandatory enforcement by courts in case the employer still fails to make the relevant contributions within the prescribed time.

REGULATIONS RELATING TO OVERSEAS LISTING

On August 8, 2006, six PRC regulatory agencies, including CSRC, promulgated the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which became effective on September 8, 2006 and were amended on June 22, 2009. The M&A Rules, among other things, require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC domestic enterprises or individuals to obtain the approval from the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. In September 2006, the CSRC published on its official website procedures regarding applications for approval of overseas listings by special purpose vehicles. The CSRC approval procedures require the filing of a number of documents with the CSRC.

The M&A Rules, and other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand.

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law, which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities.

On December 24, 2021, the State Council's Administrative Regulations on Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Public Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) and the Administrative Measures on Filing of Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Public Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) was released for public comments by the CSRC. Pursuant to these regulations, a domestic enterprise that applying for listing abroad shall, among others, complete filing procedures and report relevant information to the securities regulatory authority as required. Pursuant to these drafts, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, including a PRC company limited by shares and an offshore company whose main business operations are in China and intends to offer shares or be listed in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the regulator in the place of intended listing. Failure to complete the filing under

the Administrative Provisions may subject the domestic enterprise to a warning or a fine of one to ten million RMB. If the circumstances are serious, the relevant entities may be ordered to suspend its business or suspend its business pending rectification, or its permits or businesses license may be revoked.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the PRC Environmental Protection Law (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014, and effective on January 1, 2015, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

Environmental protection authorities impose various administrative penalties on persons or enterprises in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within a prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down enterprises. Any person or entity that pollutes the environment resulting in damage could also be held liable under the PRC Civil Code. In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

REGULATIONS RELATING TO PERSONAL INFORMATION PROTECTION AND INFORMATION SECURITY

In recent years, PRC government authorities have enacted laws and regulations on personal information protection. Pursuant to the Civil Code, the collection, storage, use, process, transmission, provision and disclosure of personal information shall follow the principles of legitimacy, properness and necessity. The Cyber Security Law also sets forth the principle of protecting personal information collected through internet, stipulating that network operators shall follow the principles of legality, rightfulness and necessity in collecting and using personal information, explicitly indicate the purposes, means and scope of collecting and using information, and obtain the consent of the persons whose information is collected.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which became effective on November 1, 2021, sets forth detailed rules on handling personal information and legal responsibilities, including but not limited to the scope of personal information and the ways of processing personal information, the establishment of rules for processing personal information, and the individual's rights and the processor's obligations in the processing of personal information. Anyone processing personal information in violation of or failing to perform any obligation of personal information protection specified in Personal Information Protection Law in the processing of personal information will be ordered to make a correction, given a warning, and confiscated of any illegal gain by the authorities performing personal information protection duties; and if the required correction is not made, a fine of up to RMB1 million will be imposed on the violator; and any person in charge or any other individual directly liable for the violation will be fined between RMB10,000 and RMB100,000.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which became effective on June 1, 2017, and stipulated that network operators shall comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures to safeguard the safe and stable operation of the networks.

On December 28, 2021, the Cyberspace Administration of China (the "**CAC**"), and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which came into effect on February 15, 2022 and replace the current Measures for Cybersecurity Review promulgated on April 13, 2020. The Cybersecurity Review Measures provides that critical information infrastructure operators purchasing network products and services and platform operators carrying out data processing activities, which affect or may affect national security, shall be subject to cybersecurity review, and network platform operators with personal information data of more than one million users are obliged to apply for a cybersecurity review before listing abroad (國外上市). In addition, relevant government authorities in the PRC may initiate cybersecurity review if they determine an internet platform operator's network products or services or data processing activities affect or may affect national security.

Our Data Legal Advisor is of the view that the Cybersecurity Review Measures is not applicable to our Group's business because (i) our Group does not belong to critical information infrastructure operators that affect or may affect national security; and (ii) although our Group has the personal information data of more than one million users, our Group is not seeking for [**REDACTED**] abroad (國外[**REDACTED**]) but in Hong Kong.

The Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the "**Draft Data Security Regulations**") was released by the CAC on November 14, 2021 for public comments, and has not yet come into effect. It will be applicable to data processing activities carried out through networks as well as the supervision and regulation of network data security within the territory of the PRC if it is adopted in its current form. Our Data Legal Advisor is of the view that, assuming that the Draft Data Security Regulations takes effect in its current form, it is applicable to our Group's business because (i) our Group belongs to the "Data Processor" under the Draft Data Security Regulations; and (ii) it will be applicable to our Group's use of the internet to carry out data processing activities within the territory of the PRC. Our Data Legal Advisor is of the view that our Group will be able to comply with the Draft Data Security Regulations in all material aspects assuming that the Draft Data Security Regulations takes effect in its current form on the basis that (i) our Group has established a set of internal data security management policies; (ii) the aforesaid management policies are in compliant with the Draft Data Security Regulations, and our Group has taken specific technical and other measures to implement the aforesaid management policies; and (iii) our Group will keep abreast of the legislative and regulatory development of the Draft Data Security Regulations and other applicable data security laws and regulations, adjust data management measures timely, and to ensure that our Group complies with regulatory requirements relating to data security.

Based on our Data Legal Advisor's view and analysis above, the Cybersecurity Review Measures and the Draft Data Security Regulations would not have a material adverse impact on our Group's business operations or the proposed [**REDACTED**].

OVERVIEW

Our history can be traced back to 2000, when Xi'an Giant Biogene, the primary operating company of our Group, was incorporated in the PRC. The Group was co-founded by Dr. Fan and Mr. Yan, and has been focusing on the R&D of recombinant collagen and other bioactive ingredients, which over the years has enabled us to build a diversified portfolio of beauty and health products. See "Directors and Senior Management – Executive Directors" for the biographical background and relevant industry experience of Dr. Fan and Mr. Yan. On July 28, 2021, our Company was incorporated as an exempted company with limited liability in the Cayman Islands, and as part of the Reorganization became the holding company of the Group's current business, which is conducted through our onshore subsidiaries. For details of our corporate restructuring, see "– Reorganization" in this section.

BUSINESS MILESTONES

The following table sets forth major events and milestones in the development of our business:

Year	Event
2000	Dr. Fan and her team successfully developed our proprietary recombinant collagen technology
	Xi'an Giant Biogene was incorporated
2005	Our proprietary recombinant collagen technology was the first one in the field awarded a patent in China, i.e. the "A Class of Human-like Collagen and its Production Method (一種類人膠原蛋白及其生產方法)", the technologies under which have been applied to our recombinant collagen-based skincare products
2006	Our first-phase factory, the construction of which commenced in November 2005, was completed with a construction area of approximately 3,450 square meters and a designed annual production capacity of 16,830,000 packs
2009	We launched our first brand, *Collgene (可麗金)*, a mid-to-high end multi-faceted functional skincare brand
2011	We launched *Comfy (可復美)*, a dermatology-grade, professional skincare brand

Year	Event
2013	The R&D project "Creation and Application of Human-Like Collagen Biomaterials (類人膠原蛋白生物材料的創製及應用)", the patents and technologies derived from which have been applied to our recombinant collagen-based skincare products, was awarded the Second Prize of the National Technology Invention Award by the State Council
2016	The patent "A Class of Human-like Collagen and its Production Method (一種類人膠原蛋白及其生產方法)", the technologies under which have been applied to our recombinant collagen-based skincare products, was awarded the China Patent Gold Award by the PRC State Intellectual Property Office and the World Intellectual Property Organization
	We launched our first ginsenosides-based functional food
2019	Our second-phase factory located in the Hi-tech Industries Development Zone in Xi'an, Shaanxi Province with a construction area of approximately 30,000 square meters was put into production
2021	Our chief scientific officer, Dr. Fan, was awarded the Highest Science and Technology Award of Shaanxi Province for the year 2020
	We became the first company selected by the National Clinical Research Center for Skin and Immune Diseases (國家皮膚與免疫疾病臨床醫學研究中心) to conduct collaborative R&D on dermatology
	We have been invited by NMPA to participate in the drafting of the PRC Medical and Pharmaceutical Industry Standards, Recombinant Collagen (中華人民共和國醫藥行業標準《重組膠原蛋白》) and technical requirements for collagen as raw materials for cosmetic products

OUR MAJOR SUBSIDIARIES

We set forth below information about our subsidiaries that have made a material contribution to our operating results during the Track Record Period:

Xi'an Giant Biogene

Xi'an Giant Biogene, previously known as Xi'an Giant Biogene Technology Limited Liability Company (西安巨子生物基因技術有限責任公司), was established in the PRC on May 8, 2000 and was converted into a joint stock company on September 5, 2001. It is an indirectly wholly-owned subsidiary of the Company. Xi'an Giant Biogene is primarily engaged in the R&D, manufacturing and sale of functional skincare products.

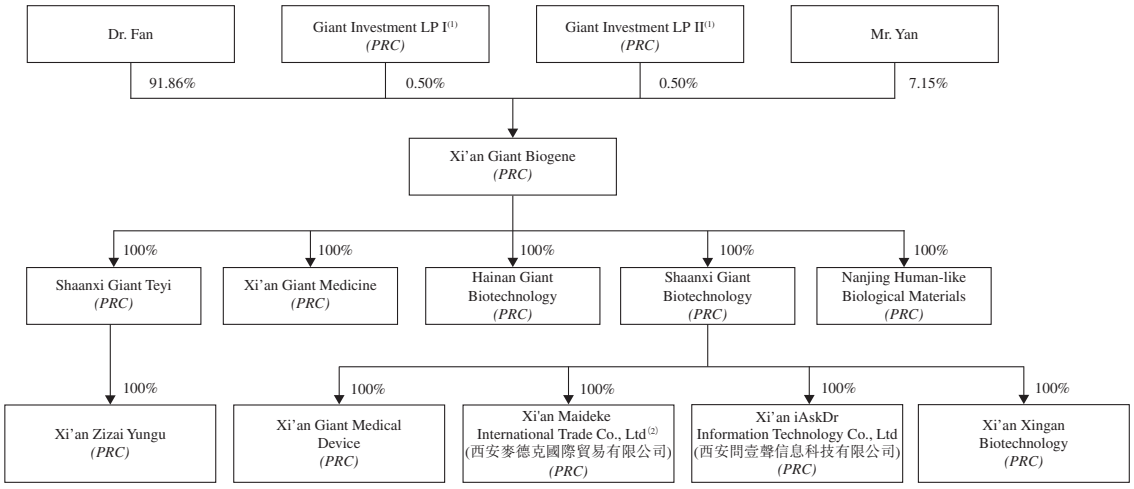
Shaanxi Giant Biotechnology

Shaanxi Giant Biotechnology was established as a limited liability company in the PRC on March 12, 2009, which was held as to 70% and 30% by Dr. Fan and Mr. Yan, respectively. Shaanxi Giant Biotechnology underwent capital injections in August 2010 and May 2012, after completion of which it was held as to 80% and 20% by Dr. Fan and Mr. Yan, respectively. On August 13, 2019, Dr. Fan and Mr. Yan entered into equity transfer agreements with Xi'an Giant Biogene respectively, pursuant to which Dr. Fan and Mr. Yan agreed to transfer all shares held by each of them in Shaanxi Giant Biotechnology to Xi'an Giant Biogene and the consideration was determined with reference to the registered capital of the shares of Shaanxi Giant Biotechnology. Upon completion of such equity transfers, Shaanxi Giant Biotechnology became a wholly-owned subsidiary of Xi'an Giant Biogene. Shaanxi Giant Biotechnology is primarily engaged in the R&D, manufacturing and sales of medical products such as medical dressings.

REORGANIZATION

In July 2021, we commenced the Reorganization in preparation for the [**REDACTED**], upon which our Company became the holding company and [**REDACTED**] vehicle of our Group.

The following chart sets out our shareholding and corporate structure prior to the Reorganization:



Notes:

(1) Each of Xi'an Giant Phase I Equity Investment Management Partnership (Limited Partnership) (西安巨子一期股權投資管理合夥企業(有限合夥)) ("**Giant Investment LP I**") and Xi'an Giant Phase II Equity Investment Management Partnership (Limited Partnership) (西安巨子二期股權投資管理合夥企業(有限合夥)) ("**Giant Investment LP II**") is a limited partnership established under the laws of the PRC on December 24, 2020. Giant Investment LP I and Giant Investment LP II were the Group's domestic share incentive shareholding platforms prior to the Reorganization.

(2) Xi'an Maideke International Trade Co., Ltd (西安麥德克國際貿易有限公司), primarily engaged in the trading of skincare products and medical device, was deregistered in August 2021. Xi'an Maideke International Trade Co., Ltd's revenue and net profit contribution to the Group before its de-registration for the year ended December 31, 2021 was 0.04% and 0.01%, respectively. Xi'an Maideke International Trade Co., Ltd was not involved in any material non-compliance during the Track Record Period before its de-registration.

We set out below the major steps of our Reorganization:

1. Setting up our Offshore Structure

On July 16, 2021, Dr. Fan incorporated Healing Holding, a special purpose vehicle in the BVI. On July 27, 2021, Juzi Holding was incorporated by Healing Holding as a special purpose vehicle in the BVI.

On July 28, 2021, the Company was incorporated as an exempted company with limited liability in the Cayman Islands. The initial authorized share capital of the Company was US$50,000 divided into 500,000,000 Shares of a par value of US$0.0001 each. Upon incorporation, the Company allotted and issued 100,000 Ordinary Shares to Healing Holding and 99,900,000 Ordinary Shares to Juzi Holding. Accordingly, Healing Holding and Juzi Holding held 0.1% and 99.9% of the Company's equity interest, respectively.

On July 30, 2021, Giant Beauty Holding was incorporated by our Company as a special purpose vehicle in the BVI.

On August 17, 2021, Hong Kong YaXin was incorporated by Giant Beauty Holding as a limited company in Hong Kong. On August 18, 2021, Giant Biogene Hong Kong was incorporated by Giant Beauty Holding as a limited company in Hong Kong. Accordingly, Giant Beauty Holding held 100% equity interest in both Hong Kong YaXin and Giant Biogene Hong Kong.

Pursuant to a shareholders' resolution dated September 30, 2021, the authorized share capital of the Company was subdivided from 500,000,000 Ordinary Shares of a par value of US$0.0001 each to 5,000,000,000 Ordinary Shares of a par value of US$0.00001 each.

On October 5, 2021, Refulgence Holding declared a trust known as FY Family Trust with Dr. Fan as settlor and beneficiary, and Trident Trust Company (B.V.I.) Limited as trustee. On October 12, 2021, the 100% equity interest in Juzi Holding held by Healing Holding was transferred to Refulgence Holding held on trust for the benefit of Dr. Fan.

On October 20, 2021, GBEBT Holding was incorporated under the laws of the BVI and served as an employee shareholding platform of our Company. On December 8, 2021, the Company allotted and issued 19,000,000 Ordinary Shares to GBEBT Holding which are held on trust by GBEBT Holding pursuant to the RSU Scheme. For further details about the RSU Scheme, see "– Issuance of Ordinary Shares Pursuant to the RSU Scheme" in this section and "Statutory and General Information – D. RSU Scheme" in Appendix IV.

2. Disposal of Onshore Subsidiary

Xi'an iAskDr Information Technology Co., Ltd (西安問壹聲信息科技有限公司) ("**iAskDr Technology**") was established on March 20, 2018 as a limited liability company in the PRC and was a wholly-owned subsidiary of Shaanxi Giant Biotechnology. It is primarily engaged in providing information technology consulting services, data processing and storage services, software and information services. Considering that the business of iAskDr Technology was not directly related to the business priorities of our Group, on July 14, 2021, Shaanxi Giant Biotechnology entered into a share transfer agreement with Mr. Yan and Mr. Yan Jian, a brother of Mr. Yan and a connected person of the Company, pursuant to which Shaanxi Giant Biotechnology agreed to transfer 99% and 1% of the equity interest in iAskDr Technology to Mr. Yan and Mr. Yan Jian at a consideration of RMB1,394,908.91 and RMB14,089.99, respectively. The total consideration of the disposal of iAskDr Technology was determined based on its net assets as of June 30, 2021 and the net gains from such disposal was approximately RMB89,000. Such disposal was completed in July 2021. Before its disposal, the revenue contribution of iAskDr Technology to the Group was 0.04% for the seven months ended July 31, 2021. iAskDr Technology was not involved in any material non-compliance incidents or legal proceedings before it was disposed of by the Group during the Track Record Period.

3. Reorganization and Capital Increase of Xi'an Giant Biogene by an Offshore Investor

On August 10, 2021, Dr. Fan, Mr. Yan, Giant Investment LP I, Giant Investment LP II, GSUM XV HK Holdings Limited and Xi'an Giant Biogene entered into a capital increase agreement (the "**Capital Increase Agreement**"), pursuant to which GSUM XV HK Holdings Limited agreed to subscribe for 1% of the equity interest in Xi'an Giant Biogene for a total consideration of approximately RMB9.4 million, determined based on an asset valuation report prepared by an independent professional valuer. GSUM XV HK Holdings Limited is ultimately managed and controlled by Hillhouse Investment (as defined below). Since the capital increase by GSUM XV HK Holdings Limited was to facilitate the Reorganization, GSUM XV HK Holdings Limited are not required to pay the subscription consideration until December 31, 2031 according to the Capital Increase Agreement and the articles of associations of Xi'an Giant Biogene. The Capital Increase Agreement could be terminated as agreed by all parties in written. Upon completion of the subscription on August 23, 2021, Xi'an Giant Biogene became held by Dr. Fan, Mr. Yan, Giant Investment LP I, Giant Investment LP II and GSUM XV HK Holdings Limited as to 90.94%, 7.08%, 0.49%, 0.49% and 1.00%, respectively.

4. Capital reduction of Xi'an Giant Biogene

Pursuant to the shareholders' resolutions passed on August 23, 2021, Xi'an Giant Biogene reduced its registered capital and repurchased 7.08%, 0.49% and 0.49% of its equity interests held by Mr. Yan, Giant Investment LP I and Giant Investment LP II, respectively. Mr. Yan was refunded his original capital contribution into Xi'an Giant Biogene, being RMB2,167,157, whereas no consideration was paid to Giant Investment LP I and Giant Investment LP II, as they had not made any capital contribution into Xi'an Giant Biogene. Upon completion of such capital reduction and share repurchase on October 13, 2021, Xi'an Giant Biogene became held by Dr. Fan and GSUM XV HK Holdings Limited as to 98.91% and 1.09%, respectively.

5. Acquisition of our Onshore Subsidiaries

On October 21, 2021, Dr. Fan, GSUM XV HK Holdings Limited, Hong Kong YaXin, Giant Biogene Hong Kong and Xi'an Giant Biogene entered into a share transfer agreement, pursuant to which (i) Hong Kong YaXin acquired 48.91% of the equity interest in Xi'an Giant Biogene from Dr. Fan for a consideration of RMB32,484,942 based on a valuation report prepared by an independent property valuer (the "**Valuation Report**"); (ii) Hong Kong YaXin acquired 1.09% of the equity interest in Xi'an Giant Biogene from GSUM XV HK Holdings Limited for nil consideration as GSUM XV HK Holdings Limited had not yet made any capital contribution into Xi'an Giant Biogene for the subscription of its 1% equity interests; and (iii) Giant Biogene Hong Kong acquired 50% of the equity interest in Xi'an Giant Biogene from Dr. Fan for a consideration of RMB33,207,312 based on the Valuation Report. Upon completion of the share transfer, Xi'an Giant Biogene was held by Hong Kong YaXin and Giant Biogene Hong Kong as to 50% and 50%, and became an indirect wholly-owned subsidiary of the Company.

PRE-[REDACTED] INVESTMENTS

Overview

On October 14, 2021, the Company entered into (i) the Series A Preferred Shares Subscription Agreements (the "**Series A Preferred Shares Subscription Agreements**", as supplemented by two agreements dated October 18, 2021 and November 4, 2021, respectively) with, among others, the Pre-[**REDACTED**] Investors, Healing Holding and Juzi Holding, and (ii) the Share Redemption Agreement (the "**Share Redemption Agreement**") with the Pre-[**REDACTED**] Investors and Juzi Holding, pursuant to which the Company redeemed 317,995,065 Ordinary Shares from Juzi Holding and allotted and issued 367,995,065 Preferred Shares (including 50,000,000 Series A-1 Preferred Shares and 317,995,065 Series A-2 Preferred Shares) to the Pre-[**REDACTED**] Investors, representing approximately 37.98% of the total issued share capital of the Company immediately before the [**REDACTED**]. The cost per Share paid by each Pre-[**REDACTED**] Investor was RMB20.00 and the discount to the [**REDACTED**] is approximately [**REDACTED**]%, assuming the [**REDACTED**] will be conducted at the midpoint of the [**REDACTED**], being HK$[**REDACTED**], and the Preferred Shares are reclassified as Ordinary Shares on a one-to-one basis.

The increase of the Company's proposed post [**REDACTED**] valuation after the Pre-[**REDACTED**] Investments is based on (i) the prospect of the Company's business at different timing of valuation; (ii) the liquidity difference in between private equity market and public market; and (iii) the market conditions at different timing of valuation.

Details of the Pre-[**REDACTED**] Investments made by the Pre-[**REDACTED**] Investors are set out as follows:

Pre-[REDACTED] Investor	Series A-1 Preferred Shares in our Company being subscribed for	Series A-2 Preferred Shares in our Company being subscribed for	Total consideration paid *(RMB equivalent in US$)*	Date on which investment was fully settled	Shareholding in our Company immediately before the [REDACTED]	Shareholding in our Company immediately after the [REDACTED][(1)]
GSUM XVIII Holdings Limited	5,268,410	33,507,089	775,509,980	December 9, 2021	4.00%	[**REDACTED**]%
HNTR V Holdings Limited	1,303,044	8,287,356	191,808,000	December 8, 2021	0.99%	[**REDACTED**]%
CPE Collagen Investment Limited ("**CPE**")	5,695,260	36,221,852	838,342,240	November 30, 2021	4.33%	[**REDACTED**]%
Shining Sea Limited	4,950,495	31,485,149	728,712,880	November 30, 2021	3.76%	[**REDACTED**]%
YF Valued Vision Limited ("**YF**")	4,819,066	30,649,260	709,366,520	November 30, 2021	3.66%	[**REDACTED**]%
LC Special I Limited Partnership Fund ("**LC Fund**")	4,514,273	28,710,774	664,500,940	December 16, 2021	3.43%	[**REDACTED**]%
Harmony Shuye LP. ("**Harmony Shuye**")	3,072,103	19,538,190	452,205,860	December 1, 2021	2.33%	[**REDACTED**]%
Shanghai Rosefinch Gengchen Private Equity Investment Fund (Limited Partnership)* (上海朱雀庚辰私募投資基金合夥企業(有限合夥)) ("**Shanghai Rosefinch**")	2,554,812	16,244,107	375,978,380	December 6, 2021	1.94%	[**REDACTED**]%
Celestial Key Group Limited ("**Celestial Key**")	1,862,953	11,848,012	274,219,300	December 1, 2021	1.41%	[**REDACTED**]%
THC Heling Investment Fund Partnership (Limited Partnership)* (海南熙翎投資基金合夥企業(有限合夥)) ("**THC Heling**")	1,752,388	11,145,185	257,951,460	December 6, 2021	1.33%	[**REDACTED**]%
River Union Capital Limited ("**River Union**")	1,533,339	9,752,037	225,707,520	December 1, 2021	1.16%	[**REDACTED**]%
Dream Fancy Limited ("**Dream Fancy**")	1,475,680	9,389,820	217,310,000	November 29, 2021	1.12%	[**REDACTED**]%
Lavender Fund, L.P. ("**Lavender Fund**")	1,445,720	9,194,778	212,809,960	November 29, 2021	1.10%	[**REDACTED**]%
XN Crane International Limited ("**XN Crane**")	1,314,291	8,358,889	193,463,600	December 7, 2021	1.00%	[**REDACTED**]%
Qianyi Holding Limited ("**Qianyi**")	1,138,026	7,239,634	167,553,200	January 14, 2022	0.86%	[**REDACTED**]%

Pre-[REDACTED] Investor	Series A-1 Preferred Shares in our Company being subscribed for	Series A-2 Preferred Shares in our Company being subscribed for	Total consideration paid *(RMB equivalent in US$)*	Date on which investment was fully settled	Shareholding in our Company immediately before the [REDACTED]	Shareholding in our Company immediately after the [REDACTED][(1)]
Jinyi Titan Limited	876,194	5,572,593	128,975,740	November 30, 2021	0.67%	[**REDACTED**]%
Shanghai Jiancheng Advertising Planning Partnership (Limited Partnership)* (上海劍誠廣告策劃合夥企業(有限合夥)) ("**Shanghai Jiancheng**")	876,194	5,572,593	128,975,740	December 6, 2021	0.67%	[**REDACTED**]%
Shine-Light Holdings Pte Ltd ("**Shine-Light**")	876,194	5,572,593	128,975,740	November 26, 2021	0.67%	[**REDACTED**]%
Giant (BVI) Investment LP ("**Giant BVI**")	876,194	5,572,593	128,975,740	December 1, 2021	0.67%	[**REDACTED**]%
DREAM TREASURE LIMITED	765,836	4,870,349	112,723,700	January 6, 2022	0.58%	[**REDACTED**]%
CDH Supermatrix H Limited ("**CDH Supermatrix**")	659,227	4,191,950	97,023,540	December 10, 2021	0.50%	[**REDACTED**]%
CICC Healthcare Investment Opportunities IV Limited ("**CICC Healthcare**")	657,145	4,179,444	96,731,780	December 1, 2021	0.50%	[**REDACTED**]%
BA Jane Limited ("**BA Jane**")	548,662	3,489,123	80,755,700	November 29, 2021	0.42%	[**REDACTED**]%
Gaorong Radiance Holding Ltd ("**Gaorong Radiance**")	438,097	2,786,296	64,487,860	December 7, 2021	0.33%	[**REDACTED**]%
Oceanpine Investment Fund II LP ("**Oceanpine**")	438,097	2,786,296	64,487,860	November 30, 2021	0.33%	[**REDACTED**]%
Shanghai Shenxu Management Partnership (Limited Partnership)* (上海莘栩企業管理合夥企業(有限合夥)) ("**Shanghai Shenxu**")	207,500	1,316,319	30,476,380	January 5, 2022	0.16%	[**REDACTED**]%
Shanghai Yifei Co., Ltd* (上海旖斐企業管理有限公司) ("**Shanghai Yifei**")	80,800	512,784	11,871,680	January 5, 2022	0.06%	[**REDACTED**]%
Total	50,000,000	317,995,065	7,359,901,300		37.98%	[**REDACTED**]%

Note:

(1) Assuming the [**REDACTED**] is not exercised.

* The English translations of the Chinese names of such PRC incorporated entities are provided for identification purposes only.

Principal Terms of the Pre-[REDACTED] Investments

Basis of determining the consideration	The determination of the amount of consideration paid is based on arm's length negotiations between the relevant parties after taking into consideration the business value and development prospects of the Company at the time of the Pre-[**REDACTED**] Investments.
Use of proceeds	The proceeds from the Pre-[**REDACTED**] Investments received by the Company were used for the R&D, business expansion, marketing expenditures, redemption of Shares pursuant to the Share Redemption Agreement and other working capital purposes of our Group. As of the Latest Practicable Date, approximately 92% of the net proceeds from the Pre-[**REDACTED**] Investments had been utilized.
Lock-up period	The Pre-[**REDACTED**] Investors are not subject to lock-up according to the terms of the shareholders' agreement entered into among the Pre-[**REDACTED**] Investors and, among others, the Company, Healing Holding and Juzi Holding (the "**Pre-[REDACTED] Shareholders' Agreement**").
Strategic benefit from Pre-[REDACTED] Investments	We are of the view that our Company can benefit from the Pre-[**REDACTED**] Investments, which demonstrate the Pre-[**REDACTED**] Investors' confidence in our Group's operation and serve as an endorsement of our performance, strengths and prospects. Our Company is also of the view that we could benefit from the additional capital provided by the Pre-[**REDACTED**] Investors and their knowledge and industry experience.

Special Rights of the Pre-[REDACTED] Investors

According to the Pre-[**REDACTED**] Shareholders' Agreement, the Pre-[**REDACTED**] Investors had been granted certain special rights, including, among others, information rights, right of director appointment, right of participation, right of first refusal, divestment right and co-sale right, out of which the divestment rights have been terminated immediately before our Company's [**REDACTED**] for the [**REDACTED**], and all remaining special rights will be terminated upon [**REDACTED**].

Each of the Preferred Shares will convert automatically on a one-for-one basis into Ordinary Shares upon consummation of the [**REDACTED**], at which time, our share capital will comprise one class of shares. For further information on the rights attached to our Ordinary Shares, see "Share Capital."

Public Float

Upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), (i) none of the Pre-[**REDACTED**] Investors will hold 10% or more of our enlarged issued share capital. Therefore, the Shares held by the Pre-[**REDACTED**] Investors will count towards the public float of our Company according to Rule 8.08 of the Listing Rules; and (ii) the Shares held by Juzi Holding, Healing Holding and GBEBT Holding will not be counted towards the public float of the Company.

Information about the Pre-[REDACTED] Investors

To the best knowledge of the Company and the Directors, each of the Pre-[**REDACTED**] Investors, its respective general partners and limited partners (where applicable), and its ultimate beneficial owners is an Independent Third Party. Set out below is a description of our Pre-[**REDACTED**] Investors, being private equity funds and strategic investment corporations:

(a) GSUM XVIII Holdings Limited and HNTR V Holdings Limited are exempted companies with limited liability incorporated under the laws of Cayman Islands and are engaged in investment holding. GSUM XVIII Holdings Limited and HNTR V Holdings Limited are ultimately managed and controlled by Hillhouse Investment Management, Ltd. ("**Hillhouse Investment**"), an exempted company incorporated under the laws of Cayman Islands. Founded in 2005, Hillhouse Investment is a global private equity firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to its investment approach. Hillhouse Investment partners with exceptional entrepreneurs and management teams to create value, often with a focus on innovation and growth. Hillhouse Investment invests in the fields of healthcare, business services, broad consumption and industrials. Hillhouse Investment manages assets on behalf of institutional clients from across the globe.

(b) CPE is a business company incorporated under the laws of the BVI and its primary business activity is investment holding. CPE is controlled by CPEChina Fund IV, L.P. ("**CPEChina Fund IV**"), an exempted limited partnership registered under the laws of Cayman Islands, whose general partner is CPE Funds IV Limited, a company incorporated in Cayman Islands with limited liability. CPE Funds IV Limited is wholly owned by CPE Management International Limited, which in turn is wholly owned by CPE Management International II Limited. CPE Management International II Limited is owned by a number of shareholders that are natural persons, none of whom controls CPE Management International II Limited. CPEChina Fund IV has more than 60 limited partners, which include sovereign wealth funds, pensions, financial institutions and other global institutional investors across North America, Europe, Asia and the Middle East.

(c) Shining Sea Limited, a company incorporated and organized under the laws of British Virgin Islands on October 21, 2020, is a special purpose vehicle advised and managed by Jinyi (Zhuhai) Equity Investment Management Co., Ltd. (金鎰(珠海)股權投資管理有限公司) ("**Jinyi Zhuhai**"). Jinyi Zhuhai is a fund management company that focuses on consumer, healthcare and technology themes in China. The ultimate beneficial owners of Shining Sea Limited are Song Xiaowei (宋曉威) and Li Shuai (李帥).

(d) YF is a limited liability company incorporated in the BVI on July 21, 2021 and is a special investment vehicle incorporated solely for the purpose of investment in the Company. YF is managed by Lofty Rainbow Limited, a company incorporated in the BVI, which in turn is controlled by Ms. Huiling Zhang (張惠玲).

(e) LC Fund is a limited partnership fund established in Hong Kong on August 18, 2021 and was established for the purpose of investing in the Company. LC Fund is managed by LC Management (International) Limited, an asset management company licensed under the SFC. LC Fund's limited partners include investment holding companies, individual and SFC licensed corporation.

(f) Harmony Shuye is a limited partnership established in the BVI on April 19, 2021 principally focused on investment in the biomedical industry. Harmony Shuye, which has 38 limited partners, including 34 individuals and four companies which principally engaged in, among others, investment, construction project construction and overseas labor export, is controlled by Top Mountain International Group Co., Ltd and Harmony Capital Management Ltd, both incorporated in the BVI. The ultimate beneficial owner of Harmony Shuye is Tian Qingqing (田青青).

(g) Shanghai Rosefinch is a limited partnership fund established in the PRC on April 21, 2021 and is primarily engaged in the investment in the biomedical, genetic engineering, biomaterials, medical equipment and health industries. The general partner, executive partner and fund manager of Shanghai Rosefinch is Shanghai Rosefinch Asset Management Co., Ltd. (上海朱雀資產管理有限公司), whose controlling shareholder is Rosefinch Equity Investment Management Co., Ltd. (朱雀股權投資管理有限公司). The ultimate beneficial owner of Shanghai Rosefinch is Mr. Li Hualun (李華輪). Shanghai Rosefinch has five limited partners, which include two private equity funds registered with the China Fund Industry Association, one company which principally engaged in the cosmetic production, one limited partnership which principally engaged in business management and marketing planning, and one individual.

(h) Celestial Key is a limited liability company incorporated in the BVI on July 26, 2021 and is a special purpose vehicle established for the purpose of investing in the Company. Celestial Key is jointly controlled by LC Fund VIII, L.P. and MIC Capital Management 81 RSC Ltd. The general partner of LC Fund VIII, L.P. is LC Fund VIII GP Limited, which is in turn controlled by its director Mr. Chen Hao (陳浩), whereas MIC Capital Management 81 RSC Ltd is an indirect wholly-owned subsidiary of Mubadala Investment Company PJSC, an Abu Dhabi-based sovereign investor. Limited partners of LC Fund VIII, L.P. include funds managed by investment firms, investment companies, high-net-worth individuals, pension trusts, banks and manufacturing companies.

(i) THC Heling is a limited partnership fund established in the PRC on August 13, 2021 and is an investment fund principally focusing on investment opportunities in the pharmaceutical and electronic information industries. THC Heling is managed by Zhongcai Tenghua Private Equity Fund Management Co., Ltd. (中財騰華私募基金管理有限公司). The ultimate beneficial owner of THC Heling is Dai Mingyang (戴明陽). THC Heling has 29 limited partners, which include 23 individuals and four limited partnerships and two companies which principally engaged in the investment.

(j) River Union is a limited liability company incorporated in the BVI on June 23, 2021 and is controlled by Marine Fund SPC, which is a segregated portfolio company established in the Cayman Islands acting for and in respect of Harbor Fund II SP. Marine Fund SPC is managed by Marine Financial Investment Limited, a BVI business company incorporated in the BVI. The ultimate beneficial owner of River Union is Mr. Yang Xuan (楊旋).

(k) Dream Fancy is a limited liability company incorporated in the BVI on October 13, 2021 and is primarily focused on investment in the medical and healthcare industries and other related industries. Dream Fancy is controlled by Shanghai Yingan Enterprise Management LLP (上海盈桉企業管理合夥企業(有限合夥)), a limited partnership established in the PRC, which has 47 limited partners, all of which are individuals, and in turn is ultimately managed by Shaanxi Kekong Qiyuan Investment Management LLP (陝西科控啟元創業投資管理合夥企業(有限合夥)) controlled by its director Mr. Lu Daozhen (盧道真).

(l) Lavender Fund is a limited partnership incorporated under the laws of Cayman Islands on October 12, 2020. The general partner of Lavender Fund is Grandiflora Hook GP Limited. The sole ultimate shareholder of Grandiflora Hook GP Limited is Eric Li. Grandiflora Hook GP Limited focuses on investment opportunities being created in emerging industries driven by innovations, and traditional industries being transformed and upgraded, and intends to, through its controlled affiliates, make investments in growth-stage portfolios (and in early-stage and mature-stage portfolios where appropriate) in industries including technology, enterprise services, transportation and logistics, and healthcare and consumer industries, by acquiring, holding and disposing of such investments to provide long-term investment return to the limited partners. Lavender Fund has three limited partners which comprise financial institutions, only one of which holds more than 25% of the interest in Lavender Fund.

(m) XN Crane is a company incorporated in the BVI on February 22, 2019 and was established for the purpose of investing in the Company. The ultimate beneficial owner of XN Crane is Mr. Wang Jianguo (汪建國).

(n) Qianyi is a company incorporated in the BVI on October 11, 2021. Qianyi is controlled by Shanghai Qianyi Enterprise Management Partnership (上海謙漪企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC. Shanghai Qianyi Enterprise Management Partnership's general partner is Qingdao Qianmiao Private Fund Management (青島謙喵私募基金管理有限公司), which is ultimately controlled by Dong Haifeng (董海鋒), while its sole limited partner is Qingdao Qianmiaoxunwu Private Equity Investment Fund Partnership (青島謙喵尋物私募股權投資基金合夥企業(有限合夥)), a private investment fund licensed under the Asset Management Association of China, which principally focuses on investment opportunities in consumption industry and is managed by its general partner Qingdao Qianmiao Private Fund Management. Limited partners of Qingdao Qianmiaoxunwu Private Equity Investment Fund Partnership include investment companies, individuals and professional investment institutions.

(o) Jinyi Titan Limited, a company incorporated and organized under the laws of the BVI on August 6, 2021, is a special purpose vehicle advised and managed by Jinyi Capital Management Company. Jinyi Capital Management Company is a fund management company focused primarily on the consumer, healthcare and technology sectors. The ultimate beneficial owners of Jinyi Titan Limited are Yang Yi, Li Hui and Yao Zhen.

(p) Shanghai Jiancheng is a limited partnership established in the PRC on September 27, 2021, principally focusing on investment in the medical and healthcare industries. Shanghai Jiancheng is controlled by Three's Company Media Group Co., Ltd. (三人行傳媒集團股份有限公司), which is also the sole limited partner of Shanghai Jiancheng. Three's Company Media Group Co., Ltd. is a company listed on the Shanghai Stock Exchange (stock code: 605168) which in turn is ultimately controlled by Mr. Qian Jundong (錢俊冬) and Ms. Cui Lei (崔蕾).

(q) Shine-Light is an investment holding company incorporated in Singapore on June 20, 2013, principally focusing on investment in retail and its related industries. Shine-Light is controlled by Charost Limited, a limited liability company incorporated in the BVI, which in turn is ultimately controlled by Mr. Chang Dingjie.

(r) Giant BVI, a limited partnership formed under the laws of BVI on August 26, 2021, which is managed by its general partner Giant (BVI) GP Limited, a limited liability company formed under the laws of BVI, which is in turn controlled by Giant Hong Kong Limited, which is ultimately controlled by Mr. Cui Wenli. Giant BVI has 11 limited partners, which include nine individuals and two companies, the principal business of which is investment holding. Giant BVI is an investment fund which principally focuses on biotechnology and genetic engineering industries.

(s) DREAM TREASURE LIMITED is a limited liability company incorporated in the BVI on January 8, 2021 and its controlling shareholder is Greenwoods Bloom Fund III, L.P., an exempted limited partnership registered in the Cayman Islands, which in turn is ultimately controlled by Tang Hua, and none of its 31 limited partners is interested in more than 30% of its partnership interest. Greenwoods Bloom Fund III, L.P. is an investment fund which principally focuses on investment in the consumer and service, healthcare, technology, media and telecommunications industries.

(t) CDH Supermatrix is a limited liability company incorporated in Hong Kong on May 11, 2021, principally focusing on investment in the medical, healthcare and other related industries. CDH Supermatrix is controlled by Capricorn Colwin, L.P. and Pisces Sunstars, L.P., which is managed by CDH Wealth Management Company Limited ultimately controlled by Mr. Wu Shangzhi (吳尚志) and Jiao Shuge (焦樹閣). Capricorn Colwin, L.P. has 55 limited partners, which include 44 individuals and 11 corporates; while Pisces Sunstars, L.P. has three limited partners, which include one individual and two corporates. All limited partners of Capricorn Colwin, L.P. and Pisces Sunstars, L.P. have extensive investment experience.

(u) CICC Healthcare is an exempted company incorporated in the Cayman Islands with limited liability, and is wholly controlled by CICC Healthcare Investment Fund, L.P. The general partner of CICC Healthcare Investment Fund, L.P. is CICC Healthcare Investment Management Limited, an indirect subsidiary of China International Capital Corporation Limited, a company listed on the Stock Exchange (stock code: 3908) and the Shanghai Stock Exchange (stock code: 601995). The limited partners of CICC Healthcare Investment Fund, L.P. include individuals and institutions. CICC Healthcare Investment Fund, L.P. focuses on equity investment opportunities in core industries such as new medical technologies, new healthcare models and innovative medicines.

(v) BA Jane is a limited liability company incorporated in the BVI on October 19, 2020, principally focusing on investment opportunities in consumer industries and other related industries in mainland China. BA Jane is controlled by BA Capital Fund III, L.P. BA Capital Fund III, L.P. is a limited partnership involved in investment holding, having BA Capital Limited as its general partner and more than 30 limited partners. These limited partners of BA Capital Fund III, L.P. include individuals, limited liability companies and limited partnerships who are high-net-worth individual investors, investment firms or family offices involved in equity investments. None of these limited partners holds more than 30% of equity interests in BA Capital Fund III, L.P.

(w) Gaorong Radiance is a limited liability company incorporated in the BVI on July 30, 2021, principally engaged in investments in the new consumer goods and technology industries. Gaorong Radiance is controlled by Gaorong Partners V Ltd., which is in turn controlled by Mr. Zhang Zhen (張震), Mr. Gao Xiang (高翔) and Mr. Yue Bin (岳斌).

(x) Oceanpine is an investment fund established in 2019, principally focusing on private equity investment in semiconductor, AI, enterprise software and biotech companies. Oceanpine engages in early to late growth-oriented equity investment with underlying exposures in the PRC and the U.S. The general partner of Oceanpine is Oceanpine Growth (Cayman) Limited, an exempted company incorporated in the Cayman Islands with limited liability, which in turn is wholly owned by Mr. Dave Liguang Chenn. Oceanpine has eight limited partners, seven of which are companies principally engaged in the investment activities, and one of which is an individual investor.

(y) Shanghai Shenxu is a limited partnership incorporated in the PRC in 2021. Shanghai Yifei is a company incorporated under the laws of the PRC with limited liability in 2021. Both Shanghai Shenxu and Shanghai Yifei are controlled by CDB Venture Capital, which is also the sole limited partner of Shanghai Shenxu. CDB Venture Capital is a limited liability company established under the laws of the PRC, which is in turn controlled by China Development Bank Capital, a wholly-owned subsidiary of China Development Bank, which is controlled by the Ministry of Finance of the PRC. CDB Venture Capital principally engages in investment in high-tech industries.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

On the basis that (i) the considerations for the Pre-[**REDACTED**] Investments were settled more than 28 clear days before the date of our first submission of the [**REDACTED**] to the Stock Exchange in relation to the [**REDACTED**] and (ii) all special rights granted to the Pre-[**REDACTED**] Investors will be terminated upon completion of the [**REDACTED**], the Joint Sponsors have confirmed that the Pre-[**REDACTED**] Investments is in compliance with the Interim Guidance (HKEX-GL29-12) on pre-[**REDACTED**] investments issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017. The Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017 is not applicable to the Pre-[**REDACTED**] Investments as no convertible instrument was issued.

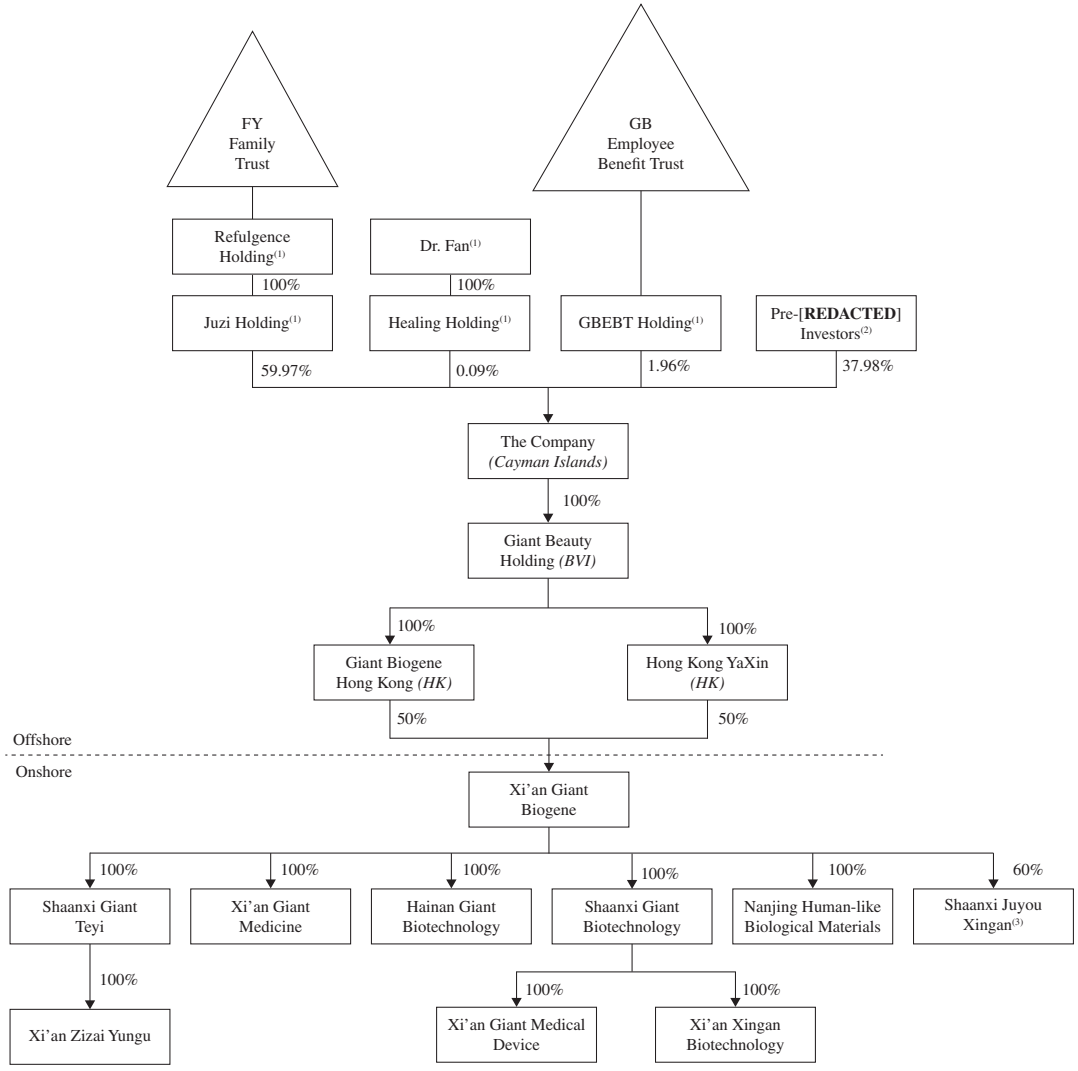
ISSUANCE OF ORDINARY SHARES PURSUANT TO THE RSU SCHEME

In order to promote the Group's development in the long run and attract and retain senior management team and core talents of the Group, the RSU Scheme was adopted by the Company on December 8, 2021. Pursuant to the RSU Scheme, the Company allotted and issued 19,000,000 Ordinary Shares to GBEBT Holding, a limited liability company incorporated in the BVI as the platform holding the underlying incentive Shares under the RSU Scheme, representing approximately 1.96% of the total issued share capital of the Company immediately before the [**REDACTED**]. All the RSUs with a total of 19,000,000 underlying Shares had been granted prior to the Latest Practicable Date. GBEBT Holding is held by Trident Trust Company (HK) Limited, an independent trustee entrusted by the Company. The voting rights of GBEBT Holding in our Company has been entrusted with Dr. Fan. For further details about the RSU Scheme, see "Statutory and General Information – D. RSU Scheme" in Appendix IV.

CORPORATE AND SHAREHOLDING STRUCTURE

The following charts illustrate our shareholding and simplified shareholding structure (1) after the Reorganization and immediately prior to the completion of the [**REDACTED**] and (2) immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised):

(1) After the Reorganization and immediately prior to the completion of the [**REDACTED**]



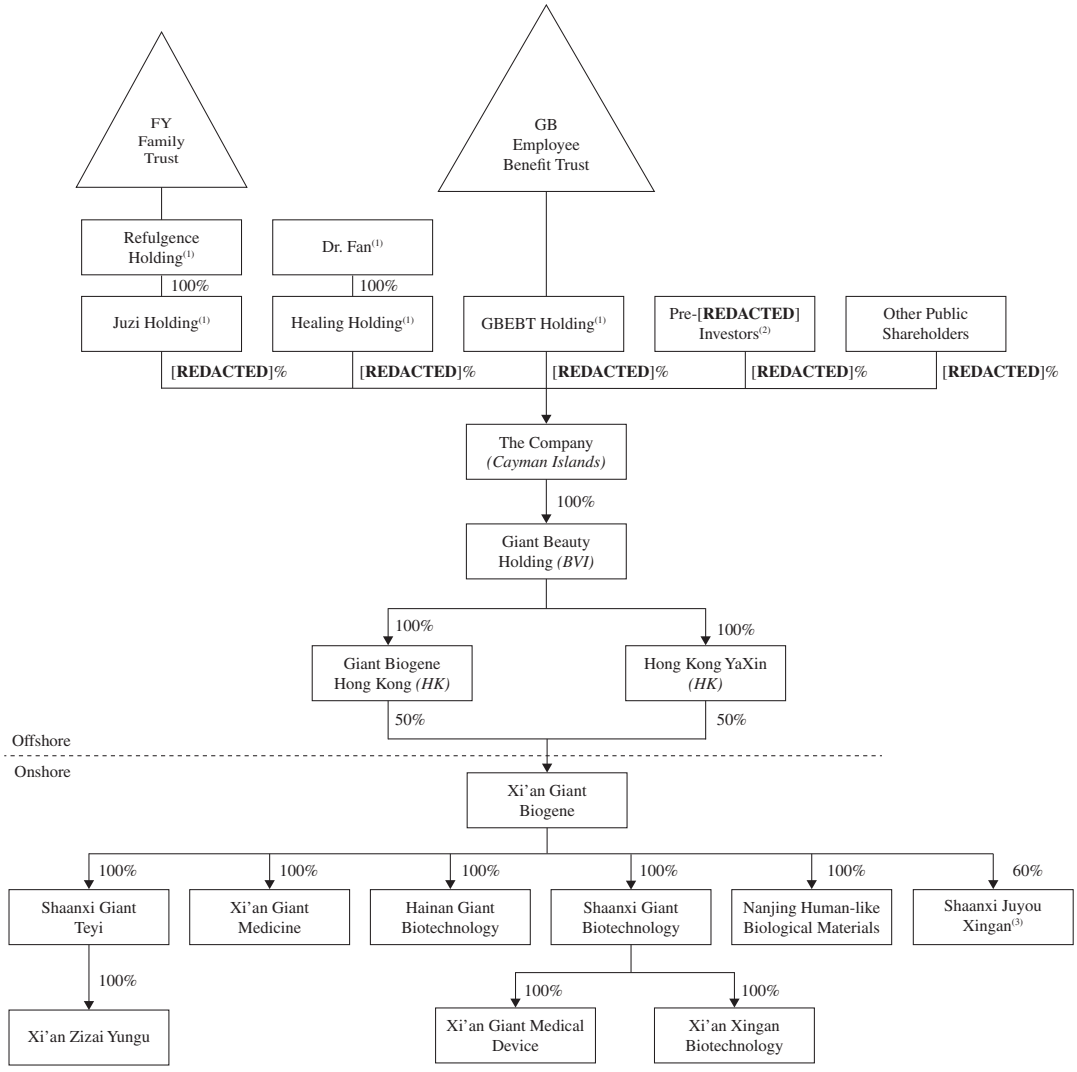
Notes:

(1) Dr. Fan, Mr. Yan, Juzi Holding, Refulgence Holding, Healing Holding and GBEBT Holding constitute a group of Controlling Shareholders upon completion of the [**REDACTED**]. For details, see "Relationship with Our Controlling Shareholders."

(2) For details and background information of the Pre-[**REDACTED**] Investors, see "Pre-[**REDACTED**] Investments" in this section.

(3) Shaanxi Juyou Xingan is held by Xi'an Giant Biogene and Hangzhou Youke Cosmetics Co., Ltd. (杭州悠可化妆品有限公司), an Independent Third Party, as to 60% and 40%, respectively.

(2) Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised)



Notes:

(1) Dr. Fan, Mr. Yan, Juzi Holding, Refulgence Holding, Healing Holding and GBEBT Holding constitute a group of Controlling Shareholders upon completion of the [**REDACTED**]. For details, see "Relationship with Our Controlling Shareholders."

(2) For details and background information of the Pre-[**REDACTED**] Investors, see "Pre-[**REDACTED**] Investments" in this section.

(3) Shaanxi Juyou Xingan is held by Xi'an Giant Biogene and Hangzhou Youke Cosmetics Co., Ltd. (杭州悠可化妆品有限公司), an Independent Third Party, as to 60% and 40%, respectively.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors advised that the Reorganization does not violate the applicable PRC laws and regulations and all relevant regulatory registrations or approvals necessary to effect the Reorganization have been obtained in accordance with PRC laws and regulations.

M&A Rules

According to the M&A Rules jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. According to the Notice on Issuing the Guidebook for the Administration of Foreign Investment Admission Management (2008 Edition) (《關於下發<外商投資准入管理指引手冊>(2008年版)的通知》), the M&A Rules are not applicable to the situation where PRC companies or individuals transfer their equity interest in an established foreign-invested enterprise to foreign companies or individuals, regardless of whether there is any related party relationship between the PRC companies or individuals and the foreign companies or individuals, and whether the foreign companies or individuals are existing shareholders or new investors of the established foreign-invested enterprise.

As advised by our PRC Legal Advisors, based on their understanding of the current PRC laws and regulations, the approval of MOFCOM under the M&A Rules is not applicable to us, because we acquired all equity interest in Xi'an Giant Biogene after Xi'an Giant Biogene had been converted into a foreign-invested enterprise by a non-related foreign investor. However, our PRC Legal Advisors further advised that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

SAFE Registration

Pursuant to the SAFE Circular 37 promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interest to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to the SAFE Circular 13 promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisors, Dr. Fan, as a PRC resident, has completed the registration under SAFE Circular 37 in accordance with the relevant PRC laws and regulations on September 3, 2021.

OUR VISION

We strive to become a leader in China's bioactive ingredient-based professional skin treatment product industry by bringing technologies from lab to life.

OVERVIEW

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 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.

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. According to Frost & Sullivan,

- We were the second-largest professional skin treatment product company by retail sales in China in 2021 as well as the largest collagen-based professional skin treatment product company by retail sales in China for the latest three consecutive years since 2019;

- *Collgene (可麗金) and Comfy (可復美)*, our flagship brands of recombinant collagen-based products, were the third and the fourth best-selling professional skin treatment brands, respectively, by retail sales in China in 2021;

- We are the first company to achieve mass production of recombinant collagen-based skincare products globally;

- Our proprietary recombinant collagen technology was the first in its field to be awarded a patent in China;

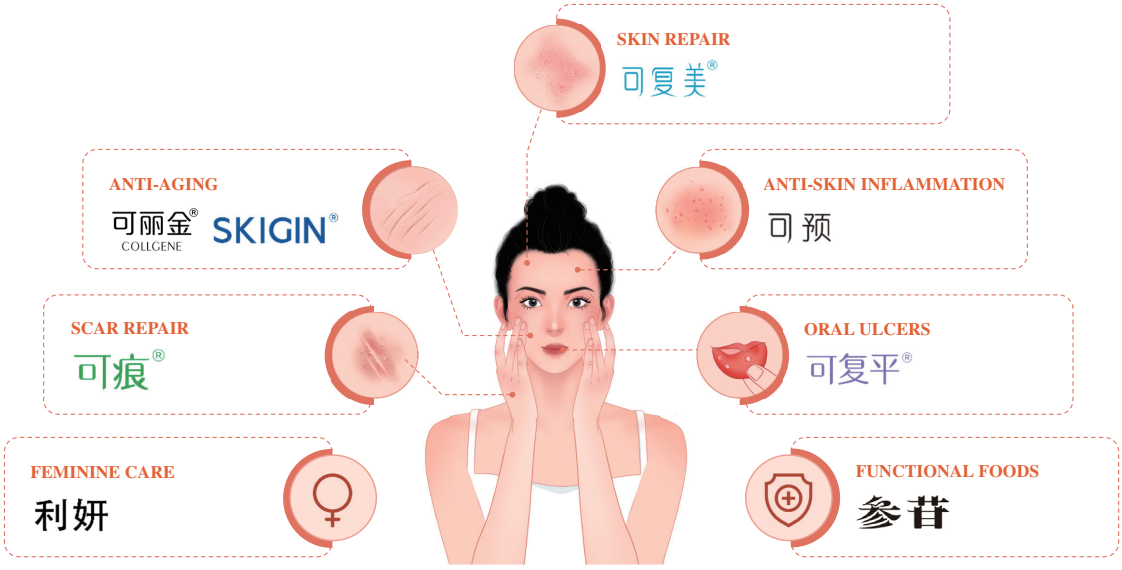
- We are the first company to obtain a medical device registration for recombinant collagen-based product in China;

- We are the first company to mass-produce each of five types of rare ginsenosides, namely Rk3, Rh4, Rk1, Rg5 and CK, at a hundred kilogram-scale with high purity in China; and

- We were the second-largest rare ginsenosides technology-based functional food company by retail sales in China in 2021, with a market share of 24.0%.

Bioactive ingredients offer a wealth of beauty and health properties such as skin repair, anti-aging, whitening, moisturizing and immunity improvement with a broad range of applications in the beauty and health sectors. 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, namely *Comfy, Collgene, Keyu, Kehen, Kefuping, Leeyen, SKIGIN, and Shengan*. The following graphics illustrate our major brand portfolio with respective key applications:

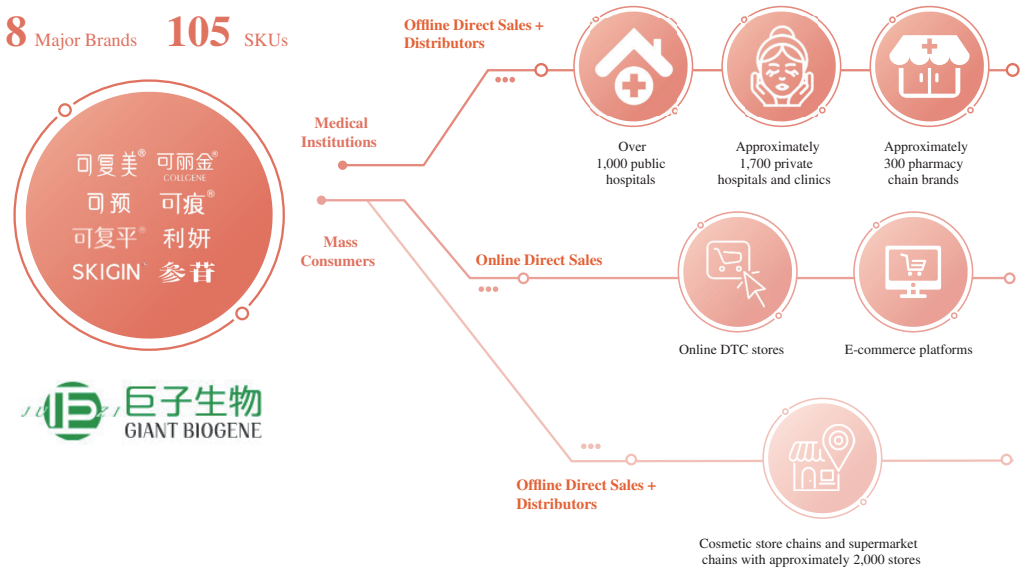
Our Major Brand Portfolio with a Broad Range of Applications



We implement dual-pronged "medical institution + mass consumer" sales strategy targeting both medical institutions and mass market. As of the Latest Practicable Date, we had sold and distributed products to over 1,000 public hospitals, approximately 1,700 private hospitals and clinics, as well as approximately 300 pharmacy chain brands across China. In addition, we have also built a nationwide mass market sales network through direct sales and distributors. Our direct sales primarily include sales through direct-to-customer ("**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 Vipshop, which resell our products to customers through their online retail platforms. Our mass market distribution covers individual consumers, cosmetic store chains and supermarket chains such as Watsons, Afiona, The COLORIST, Ole', Hualian Group and Hema Fresh with approximately 2,000 stores in China.

The following graphics illustrate our dual-pronged "medical institution + mass consumer" sales strategy:

Our Dual-Pronged "Medical Institution + Mass Consumer" Sales Strategy



Driven by the growing popularity of technology-based products, the technological advancement of bioactive ingredients for medical and mass market uses, increasing awareness of the benefits of bioactive ingredients, as well as the favorable government policy, the bioactive ingredient-based beauty and health product market in China has been, and is expected to continue to accelerate in the future. For example, China's recombinant collagen-based product market is expected to grow from RMB18.5 billion in 2022 to RMB108.3 billion in 2027 at a CAGR of 42.4%, according to Frost & Sullivan. Moreover, the rare ginsenosides technology-based functional food market in China is expected to grow from RMB739.0 million in 2022 to RMB1,561.4 million in 2027 at a CAGR at 16.1%, according to the same source. Leveraging our technological and market leadership positions, we believe we are well-positioned to capitalize on such significant market growth opportunities.

Our business is supported by the pursuit of innovation and proprietary technologies. Our years of R&D efforts had resulted in 79 patents and pending patent applications for our technologies and marketed products as of the Latest Practicable Date. We have built a proprietary synthetic biology technology platform, which integrates cross-disciplinary research and accumulated know-how on biotechnology, biochemistry and bioengineering encompassing the core components such as gene recombination, cell factory construction, fermentation, separation and purification. Our proprietary synthetic biology technology is the foundation of our two industry leading bioactive ingredients, recombinant collagen and rare ginsenosides, on top of which we have developed a diversified and expanding product portfolio of functional skincare products, medical dressings and functional foods, as well as a strong pipeline of 103 product candidates as of the Latest Practicable Date. See "– Our Strengths – Track record of converting R&D to successful commercial ventures" for details of our proprietary synthetic biology technology platform.

The manufacturing of bioactive ingredient-based beauty and health products is a highly complex process. Leveraging our profound expertise and accumulated know-how that is hard to replicate, we have developed an end-to-end manufacturing platform to produce key bioactive ingredients as well as our marketed products. As of the Latest Practicable Date, we had one production line for recombinant collagen, one production line for rare ginsenosides, 11 production lines for functional skincare products, six production lines for medical dressings and two production lines for functional foods. Our industry-leading manufacturing capabilities is underpinned by our proprietary bioactive ingredient manufacturing technologies with multiple breakthroughs that previously hindered the commercialization of recombinant collagen and rare ginsenosides at scale and with high quality.

We are one of the largest recombinant collagen and rare ginsenosides companies globally in terms of manufacturing capacities, according to Frost & Sullivan. Our recombinant collagen is with a purity and safety level that meets or exceeds the national standard of recombinant collagen applied in medical products in China, which can be broadly applied to an array of medical and mass market uses. Leveraging our ability to manufacture bioactive ingredients at scale and with high quality, we are able to not only produce effective bioactive ingredient-based beauty and health products, but also can swiftly develop and launch new products in a cost-efficient manner. We believe this end-to-end manufacturing platform can help us retain supply chain stability of key differentiating ingredients and remain nimble in our sales and marketing strategies against the diverse and evolving consumers' skincare and health needs.

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. Our revenue also increased from RMB520.6 million in the five months ended May 31, 2021 to RMB723.0 million in the same period in 2022. Moreover, our net profit amounted to RMB575.2 million, RMB826.5 million, RMB828.1 million and RMB313.6 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, with net profit margin of 60.1%, 69.4%, 53.3% and 43.4% during the same periods. Our adjusted net profit (non-IFRS measure) amounted to RMB575.2 million, RMB827.1 million, RMB851.3 million and RMB336.1 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, with adjusted net profit margin (non-IFRS measure) of 60.1%, 69.5%, 54.8% and 46.5% during the same periods, respectively.

OUR STRENGTHS

A leader in bioactive ingredient-based professional skin treatment product industry in China to capture the fast-growing and significant market opportunities

We are a leader in bioactive ingredient-based professional skin treatment product industry in China. Anchored by our recombinant collagen that developed with proprietary synthetic biology technology, we have built up a vast portfolio of technology-based professional skin treatment products with market leadership positions in the industry. According to Frost & Sullivan, we were the second largest professional skin treatment product company by retail sales in China in 2021 as well as the largest collagen-based professional skin treatment product company by retail sales in China for the latest three consecutive years since 2019. Moreover, *Collgene* and *Comfy*, our flagship brands of recombinant collagen-based products, ranked the third and the fourth best-selling professional skin treatment brands, respectively, by retail sales in China in 2021.

Our recombinant collagen offer a wealth of properties that are highly suitable and desirable for the bioactive ingredient-based professional skin treatment products. Collagen is a type of macromolecular protein that provides structural support, promote hemostasis and cell adhesion, stimulate cell regeneration and proliferation, as well as other biological properties. With good biocompatibility and low level of immunogenicity, collagen is ideal as a bioactive ingredient for skincare products, medical products, nutritional foods and dietary supplements. In particular, recombinant collagen is expected to be a more advantageous type of collagen for mass market applications given its higher level of biocompatibility, lower risk of undetected pathogen and the ability to be further processed and optimized as compared to animal-derived collagen. Furthermore, when compared to hyaluronic acid, recombinant collagen offers a broader range of properties such as repairing damaged skin barriers, tightening and anti-wrinkle, and can thus be used in wider range of applications including skin repair, anti-aging, whitening and moisturizing. According to Frost & Sullivan, the recombinant collagen-based product market in China grew at a 63.0% CAGR from RMB1.5 billion in 2017 to RMB10.8 billion in 2021, and is expected to grow from RMB18.5 billion in 2022 to RMB108.3 billion in 2027 with a CAGR of 42.4%.

Leveraging over market leadership, we are well-positioned to capture the fast-growing and significant market opportunities. Utilizing synthetic biology approach, we have developed proprietary recombinant collagen, a clinically proven and superior form of bioactive ingredient for medical and mass market uses in 2000. Our proprietary recombinant collagen technology was the first one in the field awarded a patent in China, and we are the first company to achieve mass production of recombinant collagen-based skincare products globally in 2009, the first collagen-based product company with a patent awarded the National Technology Invention Award in 2013 in China, and the first collagen-based product company with a patent awarded the China Patent Gold Award in 2016 in China. Furthermore, we possess recombinant collagen biomanufacturing capabilities: (i) one of the largest recombinant collagen manufacturing facilities globally; (ii) one of the most diverse recombinant collagen library in the world; and

(iii) industry-leading fermentation and processing technologies with one of the most comprehensive expression system globally to achieve efficient synthesis of different types of recombinant collagen, according to Frost & Sullivan.

In addition to our technological prowess, our competitive advantages are cemented by regulatory developments in China. The PRC Medical and Pharmaceutical Industry Standards, Recombinant Collagen (中華人民共和國醫藥行業標準《重組膠原蛋白》), promulgated by the NMPA, became effective in August 2022. The NMPA has also initiated the promulgation of technical requirements for collagen as raw materials for cosmetic products to provide clearer and unified guidelines on the use of recombinant collagen in cosmetic products. We have been invited to participate in the drafting of these standards and technical requirements. The implementation of these standards and technical requirements would further promote applications of recombinant collagen in medical and cosmetic products with clearer regulatory requirements on quality control, testing and raw materials. We believe these regulatory developments would enhance our competence and create technological entry barriers for new entrants as we believe we are among the few companies that can meet all these standards and technical requirements, particularly the standards stipulated in the PRC Medical and Pharmaceutical Industry Standards, Recombinant Collagen given our participating role in drafting such regulation.

Well-recognized technology-based beauty brands with a diversified and expanding product portfolio

Our brands are well-known for the differentiated skincare functionalities with a technology-based beauty positioning. Our proprietary recombinant collagen serves as a common thread of technology-based beauty for the branding of our products, which also generates spill over effects to the branding of other non-collagen-based products. Moreover, our leadership position in the medical dressing market in China as the second largest medical dressings company by retail sales in 2021 reinforces the brand image of quality, efficacy and safety of our functional skincare products, which in turn establishes a differentiated brand equity compared to general skincare brands.

Comfy, one of our flagship brands, is designed as a dermatology-grade, professional skincare brand to offer skin repair and other skincare solutions. It includes both functional skincare products and medical dressings. Since its launch in 2011, *Comfy* branded products have been gone through extensive clinical validation studies by dermatologists in China. Our products have been sold and distributed to over 1,000 public hospitals and approximately 1,700 private hospitals and clinics. Our *Comfy* brand has also been reinforced through a variety of science- and knowledge-driven marketing activities. We have frequently attended and presented our latest R&D results in academic conferences and industry seminars. In particular, in the recent years, we have been actively participating in the National Academic Conference on Dermatology held by the Chinese Medical Association (an influential dermatologist industry conference in China) as a guest speaker to share with the academic and medical community our latest recombinant collagen technologies and their applications in recombinant collagen-based products.

With the increasing popularity of *Comfy* branded medical dressings, we expanded *Comfy* branded products for mass market use as well as to online channels in 2015 to meet consumers' skincare needs for a medical quality product. To date, in addition to medical dressings, we have developed a range of mass market products including facial masks, toners, lotions, sprays, serums, creams and gels under *Comfy* brand. With the recognitions by dermatologists as well as superior user experience, many users have become loyal, recurring customers of *Comfy* branded products, making *Comfy* one of our fastest growing and most iconic brands.

Leveraging *Comfy's* medical quality brand equity, as well as proprietary recombinant collagen technology, we have been building a mid-to-high end multi-faceted functional skincare brand: *Collgene*. We directly engage and communicate with consumers through live streaming, KOL endorsements and short videos to highlight the technology-beauty value propositions of our *Collgene* brand. We also deliver skincare knowledge, address consumer inquiries, and collect consumers feedback on our products. These direct-to-customer interactions allow us to educate consumer on the efficacy and safety of recombinant collagen, obtain an in-depth understanding of customers' skincare needs, as well as engage customer directly.

Comfy and Collgene have gained increasing popularity in China. In 2021, *Comfy* was awarded the No. 1 medical dressing brand by Tmall in February, August and the 11.11 global shopping festival; the most favorite domestic skincare brand by consumers in Yonghushuo's domestic cosmetic brand rankings in August 2021; and the "Most Competitive Brand in 2021" by the Blue Rose Awards, a major award in China's cosmetic industry, in September 2021. In addition, *Collgene* was nominated as "The 18th People's Ingenuity Technology Awards" by the People's Daily Online; and a winner of Baidu's "Industry Pioneer Brand". Our well-recognized brands also lead to loyal customers. In 2021, the repurchase rate of our *Comfy* branded products on Tmall reached approximately 42.9% and the repurchase rate of our *Collgene* branded products on Tmall was approximately 32.4%.

Track record of converting R&D to successful commercial ventures

Our business is supported by the pursuit of innovation and proprietary technologies. We have a dedicated and experienced R&D team comprising 124 members, representing 14.8% of our total employees as of May 31, 2022, including 45 members with master's degree or above, accounting for 36.3% of our R&D team. As of the Latest Practicable Date, we had collaborated with medical and academic institutions, and most notably with Northwest University in Xi'an, for joint research projects. We established the National and Local Joint Engineering Research Center for Biomaterials (生物材料國家地方聯合工程研究中心) in 2012 and a Post-doctoral Research Center (博士後工作站) in 2015. In 2021, we became the first company selected by the National Clinical Research Center for Skin and Immune Diseases (國家皮膚與免疫疾病臨床醫學研究中心) to conduct collaborative R&D on dermatology, showcasing our leadership in skincare R&D in the country. As of the Latest Practicable Date, our R&D efforts had resulted in 79 patents and pending patent applications, a diversified portfolio of 105 SKUs, as well as a strong pipeline of 103 product candidates.

Our proprietary synthetic biology technology platform is the cornerstone of our foundational R&D and product development. Being at the frontier of biotechnologies in recent years, synthetic biology is an interdisciplinary area that involves the application of engineering principles to biology, which aims at the design and fabrication of biological parts, devices and systems. Synthetic biology has the potential to produce ingredients for beauty and health products in a more sustainable and reliable way, at a larger scale and of consistent quality, compared to certain traditional methods, namely extractions from petrochemicals, animal sources and plant-based sources. As such, synthetic biology has a broad spectrum of potential applications in cosmetics, food and medicine.

We apply synthetic biology approach to design, develop and manufacture recombinant collagen and rare ginsenosides. We believe our synthetic biology technology is hard to replicate as it has integrated years of cross-disciplinary research and accumulated know-how on biotechnology, biochemistry and bioengineering encompassing the core components such as gene recombination, cell factory construction, fermentation, separation and purification. We also utilize synthetic biology approach to develop new bioactive ingredients such as ginseng peptides and icariin to explore new product applications.

In addition to our R&D success, we also have a track record of converting technologies into successful business ventures. With a diversified and expanding technology-based beauty and health product portfolio, 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. Our revenue also increased from RMB520.6 million for the five months ended May 31, 2021 to RMB723.0 million for the same period in 2022.

Innovative product pipeline centered around increasing consumer demand for technology-based beauty and health products to drive future growth

As an innovation-oriented company, we have built a diversified product pipeline across professional skin treatment products, functional foods and foods for special medical purposes to meet increasing consumer demand for beauty and health products derived from proven scientific research. As such, our innovation and product development strategy focus on expanding both applications and product types of our product portfolio. By expanding applications, such as from skin repair and maintenance to anti-aging and whitening, we are able to maximize customer touchpoints by offering a broader array of products with significant complementary value and similar brand positioning to our current product portfolio. By expanding product types, we are able to advance our technologies to enter into new product categories, such as biomedical materials, to expand our customer reach. With an expanding product portfolio, we believe we are able to generate additional demand from customers, expand customer base by further penetrating addressable target markets, and capitalize on the increasing demand for technology-based products.

With respect to beauty product portfolio, we are developing (i) a pipeline of skin repair, anti-aging and whitening products to expand our functional skincare offerings, (ii) an array of medical dressings to diversify our product offerings in this space, as well as (iii) recombinant-collagen based skin rejuvenation products to penetrate into skin rejuvenation market by offering consumers brand new fillers with high safety and efficacy:

- ***Functional skincare products.*** We were developing 50 functional skincare products with skin repair, anti-aging and whitening properties as of the Latest Practicable Date. These product candidates are positioned to expand our functional skincare offerings and maximize our customer touchpoints within this space. The key pipeline product is *Comfy* Human-like® Recombinant Collagen Repair Serum.

- ***Medical dressings.*** We were developing 37 new medical dressings to address different skin and wound types as of the Latest Practicable Date, of which we expect to receive medical device registration for five new medical dressings in the next two years, including Medical Wound Repair Gel for non-chronic wounds such as post-surgical suture wounds and Recombinant Collagen Sterile Dressing for post-professional skin treatment skincare.

- ***Skin rejuvenation products.*** Leveraging our ability to produce recombinant collagen at purity level of 99.9%, exceeding the minimum level required for skin fillers, we are developing new and innovative filler products with recombinant collagen as main bioactive ingredient. Skin rejuvenation product sector is a segment that not only represents a large growth opportunity, but also with significant entry barriers given its classification as Class III medical device in China according to the Catalog of Medical Devices Classification (《醫療器械分類目錄》) issued by NMPA.

With respect to health product portfolio, we are developing a pipeline of (i) biomedical material products, as well as (ii) functional foods and foods for special medical purposes to broaden our offerings for various specific medical and nutritional uses:

- ***Biomedical materials****:* Leveraging the properties of our proprietary bioactive ingredients and other materials, we are developing biomedical material products such as bone repair materials and absorbable biofilms, both of which are expected to be classified as Class III medical devices in China. Given our strong reputation among medical community, we believe we are well-positioned to penetrate into biomedical material market in China.

- ***Functional foods and foods for special medical purposes****:* We are developing seven functional food products designed to boost immune systems, reduce blood lipids and blood sugar level, as well as improve sleep. In addition, we are also developing three types of foods for special medical purposes designed for people with dietary restrictions, digestive and absorption issues, metabolic disorders, as well as diabetes.

Synergistic omni-channel sales and distribution network with dual-pronged "medical institution + mass consumer" sales strategy

We have built an omni-channel sales and distribution network that spans the country to implement dual-pronged "medical institution + mass consumer" sales strategy. With a strong reputation in the medical community, our omni-channel sales and distribution network creates a virtuous feedback loop to drive customer demand across channels: from medical use to mass market, from offline to online, and from online to offline.

We started building our sales and distribution network targeting the medical institutions. As of the Latest Practicable Date, we had sold and distributed products to over 1,000 public hospitals, approximately 1,700 private hospitals and clinics, as well as approximately 300 pharmacy chain brands across China. Benefiting from the efficacy of recombinant-collagen medical dressings, our products have been increasingly adopted and recognized by reputable medical institutions and professionals in the country. The recognitions and endorsements from the medical community strengthen our brand equity, which in turn help us acquire new customers and generate customer traffic to our online channels. For example, based on our survey, in 2021, there were approximately 30.2% of our online customers purchased *Comfy* branded medical dressings have received professional recommendation.

In addition, we have also built a nationwide mass market sales network to address consumers' diverse skincare needs, as well as capitalize on the significant market growth opportunities. Our direct sales include our sales through DTC stores on e-commerce platforms 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 Vipshop, which resell our products to customers through their online retail platforms. Our mass market distribution covers individual consumers, cosmetic store chains and supermarket chains such as Watson's, Afiona, The COLORIST, Ole', Hualian Group and Hema Fresh with approximately 2,000 stores in China. Our offline network helps enhance our brand recognition, address the demand from offline traffic and traffic originated from other channels, as well as generate traffic to our online channels. Our online direct sales have shown significant growth. During the Track Record Period, our revenue generated from online direct sales increased from RMB158.1 million in 2019 to RMB307.2 million in 2020, and further increased to RMB644.2 million in 2021, representing 16.5%, 25.8% and 41.5% of our total revenue during the same periods, respectively. Our revenue generated from online direct sales also increased from RMB173.7 million for the five months ended May 31, 2021 to RMB314.9 million for the same period in 2022, representing 33.4% and 43.6% of our total revenue during the same periods, respectively.

Powerful end-to-end manufacturing platform to cement our technology-enabled products and to meet consumers' dynamic demand in a timely manner

The manufacturing of bioactive ingredient-based beauty and health products is a highly complex process, starting from the initial design and synthesis of bioactive ingredients to the development and integration of bioactive ingredients into marketed products. The entire manufacturing process requires extensive cross-disciplinary research and know-how of biotechnology, biochemistry and bioengineering. As the first company to achieve mass production of recombinant collagen-based products globally and the first company to mass produce each of five types of rare ginsenosides in China, we have accumulated in-depth expertise in the production of bioactive ingredients at scale, and have developed an end-to-end manufacturing platform for our marketed products.

Bioactive ingredients are at the core of our brands and products. We have achieved a number of technological breakthroughs in the manufacturing of bioactive ingredients. Leveraging high-density fermentation strategy and a highly efficient separation and purification process, we have resolved the efficiency issue that previously hindered the commercialization of recombinant collagen. This allowed us to achieve a industry-leading level of recombinant collagen expression as well as to achieve a 90% yield rate of recombinant collagen recovered after one round of processing from our recombinant *E. coli* target proteins, which is a industry-leading purification and yield rate, according to Frost & Sullivan. Efficient and consistent protein expressions have enabled us to increase manufacturing scale and yield while ensuring high quality. As of the Latest Practicable Date, we had one of the largest recombinant collagen manufacturing capacities globally at 10,880.0 kg per annum. Moreover, our recombinant collagen has a 99.9% purity level which meets industry standards for medical-grade materials.

In addition, leveraging our proprietary biomanufacturing technologies, we have resolved the low efficiency issue in biotransformation and easy inactivation of rare ginsenosides, which had been a significant limiting factor for large-scale production of rare ginsenosides in the industry. This allowed us to successfully manufacture each of five types of high purity rare ginsenosides, including Rk3, Rh4, Rk1, Rg5, and CK, at a hundred kilogram-scale which significantly exceeds other commercially available sources and reaches critical scale of the mass production. As a result, we are able to extract and harvest sufficient quantities of rare ginsenosides to produce beauty and health products. Moreover, our production efficiency for our CK ginsenoside is more than 20 times higher than any other companies reported globally, and in its crude form after biotransformation, is significantly more concentrated than the CK ginsenoside found in plants at its natural content.

Our in-house manufacturing facilities for marketed products enable us to react and adapt swiftly to market demand and offer differentiated products to address consumers' diverse preferences. Our manufacturing facilities have been certified with ISO13485, ISO22716 and US FDA CFSAN quality management certifications. As all of our manufacturing facilities strictly follow the GMP standards for medical device and national cosmetic product manufacturing requirements, we ensure that our products are produced at the highest quality and safety standards.

As of Latest Practicable Date, we had one production line for recombinant collagen, one production line for rare ginsenosides, 11 production lines for functional skincare products, six production lines for medical dressings and two production line for functional foods. As we anticipate demand for our products will continue to grow, we plan to build three new manufacturing plants and expand our existing recombinant collagen facilities in the coming years to enhance our capacity to produce technology-enabled beauty and health products.

We believe that our end-to-end manufacturing platform is one of the key competencies that sets us apart from our peers. With the combination of synthetic biology technology and biomanufacturing capabilities, we apply our latest technologies of bioactive ingredients to beauty and health products to address the evolving and diverse market demand with a broader user base. Moreover, the stable supply of key differentiating bioactive ingredients can also enable us to develop new products in a cost-efficient manner, ensure supply chain stability, respond quickly to changing industry trend and mass-produce differentiated products. For example, we have launched nearly 30 new products every year over the past two years to address consumers' diverse preferences.

Dedicated and experienced founders and management team

We are led by a team of experienced executives and scientists with innovations in the field of synthetic biology technology. With over 20 years of experience in researching, developing, manufacturing and marketing bioactive ingredient-based products, our management team has been accredited with a number of awards and accolades, and has been the bedrock of our success to date.

Dr. Fan, our Co-founder, executive Director and chief scientific officer invented our proprietary recombinant collagen technology in 2000 and leads our R&D and innovations. As one of the leading experts not only in collagen industry but also the biomedical materials space in China, Dr. Fan is a member of a number of expert committees and a recipient of a number of awards in recognition of her achievements in the collagen and biomedical industry. Dr. Fan has been selected into the Expert Committee for Classification and Naming of Recombinant Collagen Materials and the drafting expert of the PRC Medical and Pharmaceutical Industry Standards, Recombinant Collagen (中華人民共和國醫藥行業標準《重組膠原蛋白》), and has played an important role in shaping the development of the collagen industry in China. Moreover, Dr. Fan is the inventor of the Second Prize of National Technology Invention Award and China Patent Gold Award. She was also awarded the National Innovation and Pioneer Award and the Highest Science and Technology Award of Shaanxi Province for 2020. Furthermore, Dr. Fan is a member of the highest honor of the Chemical Industry and Engineering Society of China.

Mr. Yan, our Co-founder, chairman of the Board and chief executive officer, is an experienced entrepreneur with over 20 years of successful experience in corporate management and business operations. Moreover, Mr. Yan has been recognized by a number of awards and accolades in recognition of his business success and entrepreneurship. Mr. Yan was awarded the Outstanding Private Entrepreneur of Shaanxi Province, Xi'an Top 10 Entrepreneur, and Finalist of Special Award of the Xi'an Mayor Award.

Under the leadership of Dr. Fan and Mr. Yan, and with support from our senior management team and our deep talent pool, we have achieved multiple scientific breakthroughs in the field of bioactive ingredients with potential for further innovations as we continue to develop new products to empower beauty and health for our users.

OUR STRATEGIES

To achieve our vision and further solidify our market leadership, we intend to pursue the following strategies:

Enrich technology-based beauty and health product portfolio

We believe a diversified and expanding product portfolio strengthens our market leadership and enables us to achieve sustainable business growth in the long run. As such, we will continue to expand our product portfolio to address diverse and evolving consumer needs for skincare and health.

With our technology-based beauty positioning, we strive to become the go-to brand of professional skin treatment products in China. We endeavor to develop and launch new types of products to strengthen our product portfolio and to penetrate into new markets, meeting diverse demands from consumers.

In addition, we will step up our investment in the research of bioactive ingredients and other materials to expand our health product portfolio. In particular, we are developing biomedical material products such as bone repair materials and absorbable biofilms. Additionally, we will continue to enrich our health foods offerings through development of new functional foods as well as foods for special medical purposes.

Strengthen R&D capabilities and technological leadership position

We will continue to invest in R&D on synthetic biology technologies to enhance our R&D capabilities and technology prowess.

We plan to continue the fundamental research and iterate our proprietary synthetic biology technologies. For example, we endeavor to achieve technology advancement in synthesizing rare ginsenosides by utilizing genetically engineered bacteria strains without any input of raw ginsenosides. We will also continue developing new types of recombinant collagen, rare ginsenosides and other bioactive ingredients which can be used for our current and future products. In addition, we will combine new types of bioactive ingredients with other technologies to further expand product applications.

We plan to continue to attract and retain qualified personnel to deepen our R&D talent pool, as well as broaden collaborative research on recombinant collagen and other bioactive ingredients with academic institutions and medical institutions.

Expand sales and distribution network and enhance brand recognition

We will explore more online and offline sales opportunities to enlarge our omni-channel sales and distribution network, as well as carryout science- and knowledge-driven marketing to reinforce our brand recognition.

We focus on expanding direct sales through our DTC stores in the future. We will continue to optimize consumers' shopping experience, as well as explore new sales opportunities in response to the latest market trends and consumer preferences. Additionally, we will also continue to expand our sales to medical institutions and mass market by partnering with more qualified distributors, reputable pharmacy chains, cosmetic store chains and supermarket chains.

We intend to reinforce our brand recognition through science- and knowledge-driven marketing. We will continue to participate in top-tier academic conferences and dermatology industry seminars to expand our comprehensive network of professional opinion leaders in the academic and medical community. We will also continue to elevate consumers' knowledge of professional skincare and our products efficacy through collaboration with celebrities, cosmetics formula-savvy beauty bloggers, dermatology-focusing influencers, and also skincare specialists.

Enhance manufacturing capabilities and improve production efficiencies

In order to capture the significant market opportunities, we plan to enhance our manufacturing capabilities through production capacity expansion, production efficiencies improvement, and optimization of the production facility allocation. Beyond continuously upgrading our existing production facilities, we will expand the recombinant collagen manufacturing facility. In addition, we are in the process of construction of additional manufacturing plants for rare ginsenosides, skin rejuvenation products, biomedical materials, functional foods as well as foods for special medical purposes. We will also continue to equip our manufacturing plants with more advanced and automated production machinery and equipment to improve production efficiencies.

Further intelligentize and digitalize our operations

We plan to enhance the intelligentization and digitalization of our information systems to improve operational efficiencies. For example, we plan to further digitalize our information system to achieve more efficient business operations. In addition, we will continue to conduct multi-dimensional analysis of business and financial data for enhanced management decision making and cost savings. Finally, we plan to develop an integrated hybrid cloud infrastructure to improve our network security and efficiency.

Establish and expand our international footprint

We plan to explore overseas markets, build brand awareness on a global scale and increase our penetration into the international market. We will commence building our overseas team from June 2023 onwards. We plan to offer differentiated technology-based beauty and health products based on the skin conditions, preferences and habits across jurisdictions by commencing product development activities from January 2023 onwards, as well as to establish overseas sales and marketing network across online and offline from January 2024 onwards. We intend to conduct R&D overseas to better understand the consumers' preference and needs in the international market and facilitate the commercialization of our products in the international market. In the future, we will explore strategic partnerships, investment and acquisition opportunities in the beauty and health products sectors that are synergistic with our businesses, leveraging our expertise and track record of commercial success in China which we believe laid a solid foundation for a gradual introduction of our products in overseas market. Such international expansion will be funded by our operating cash flow.

OUR BRANDS AND PRODUCTS

Overview

Leveraging our years of R&D, proprietary synthetic biology technology platform and leadership in bioactive ingredients, we have built an expanding, multi-brand portfolio of technology-based beauty and health products. Our brands and products are designed and developed to address evolving and diverse consumer needs across different skin types, application scenarios and consumer groups. As of the Latest Practicable Date, our professional skincare product and functional food portfolio comprised 105 SKUs across eight major brands.

With respect to our professional skincare products, our proprietary recombinant collagen serves as a common thread of technology-based beauty products and a key differentiator that sets us apart from our peers. We deploy different combinations of four types of recombinant collagen that we manufacture in-house, namely Type I recombinant human collagen, Type III recombinant human collagen, recombinant human-like collagen, and small-molecule recombinant collagen peptide in most of our professional skincare products. Different recombinant collagen has different functions on human skin. For example, Type I recombinant human collagen plays a critical role in skin repair; Type III recombinant human collagen offers anti-aging properties; recombinant human-like collagen plays a critical process for tissue formation and skin healing; and small-molecule recombinant collagen peptide is easily absorbed by skin, promotes cell growth and collagen secretion.

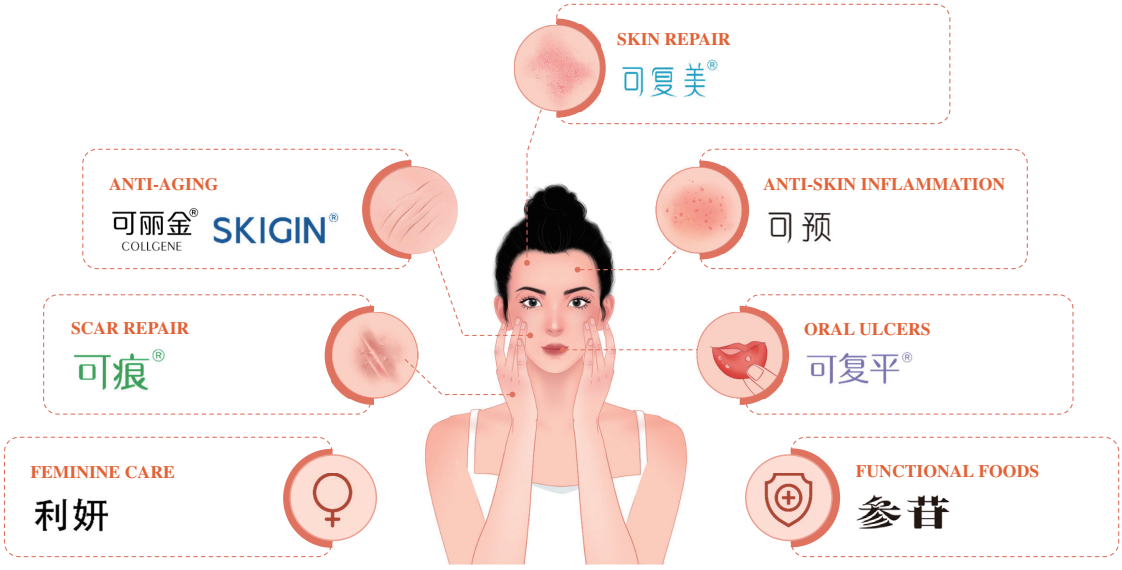
With different combinations of the four types of recombinant collagen, we offer an array of professional skincare products. Our flagship brands, *Comfy (可復美)* and *Collgene (可麗金)*, are our two longest-standing brands. Our leading brand *Comfy* was launched in 2011, initially as a dermatology-grade, professional skincare brand for medical institution customers and subsequently expanded to the mass consumer market. Our second leading brand, *Collgene*, was launched in 2009 as a mid-to-high end multi-faceted functional skincare brand with major benefits of anti-aging, skin maintenance and skin repair.

In addition, we also offer five additional major skincare brands and one functional food brand, providing consumers with multiple options to address their diverse skincare and nutritional needs:

- *Keyu (可預)*, a recombinant collagen-based brand designed for the relief and prevention of skin inflammatory conditions;
- *Kehen (可痕)*, a recombinant collagen-based brand designed for scar repair;
- *Kefuping (可復平)*, a recombinant collagen-based brand for the prevention and repair of oral ulcers;
- *Leeyen (利妍)*, a recombinant collagen-based brand for feminine care;
- *SKIGIN (欣苷)*, a rare ginsenosides-based skincare brand; and
- *Shengan (參苷)*, a ginsenosides-based functional food brand to offer consumers nutritional supplements to improve immune systems.

The following graphic provides a holistic view of our major brands and their major benefits:

Our Major Brand Portfolio with a Broad Range of Applications



The following table sets forth certain key information of our major brands as of the Latest Practicable Date:

Brands	Year of Launch	Category	Positioning	Number of SKUs	Recommended Retail Price Range
Skin Care					
Comfy (可復美) 可复美®	2011	Functional skincare products/medical dressings	Mid-to-high end dermatology-grade, recombinant collagen-based brand	32 (three Class II[(1)] SKUs and one Class I[(1)] SKU)[(2)]	RMB99 to RMB459
Collgene (可麗金) 可丽金® COLLGENE	2009	Functional skincare products/medical dressings	Mid-to-high end, multi-faceted recombinant collagen-based skincare brand	59 (three Class II[(1)] SKUs)[(2)(3)]	RMB109 to RMB680[(4)]
Keyu (可預) 可预™	2015	Functional skincare products/medical dressings	Mid-to-high end recombinant collagen-based skincare brand for the relief and prevention of skin inflammatory conditions	Four (two Class II[(1)] SKUs)[(2)]	RMB86 to RMB283
Kehen (可痕) 可痕®	2016	Scar repair dressing	Mid-to-high end recombinant collagen-based brand for scar repair	One (one Class II[(1)] SKU)	RMB498
Kefuping (可復平) 可复平®	2016	Medical dressing	Mid-to-high end recombinant collagen-based brand for oral ulcers	One (one Class II[(1)] SKU)	RMB199
Leeyen (利妍) 利妍	2019	Medical dressing	Mid-to-high end recombinant collagen-based brand for feminine care	Three (one Class II[(1)] SKU)	RMB128 to RMB340
SKIGIN (欣苷) SKIGIN®	2019	Functional skincare products[(2)]	High end rare ginsenosides-based skincare brand	Four	RMB247.5 to RMB585
Functional Foods					
Shengan (參苷) 參苷	2016	Functional foods[(5)]	Ginsenosides-based functional food brand	One	RMB570

Notes:

(1) Refers to medical device registration class. For the production and marketing activities with respect to Class I medical devices, we are required by relevant PRC laws and regulations to hold (i) the Class I Medical Devices Filing Certificate (第一類醫療器械備案憑證), and (ii) the Class I Medical Device Manufacturing Filing Certificate (第一類醫療器械生產備案憑證). For the production and marketing activities, with respect to Class II medical devices, we are required by relevant PRC laws and regulations to hold (i) the medical device registration certificate (醫療器械註冊證), (ii) the Medical Device Manufacturing Certificate (醫療器械生產許可證), and (iii) the Class II Medical Device Business Filing Certificate (第二類醫療器械經營備案憑證). We are also required to obtain the approvals for the advertisements of medical devices.

(2) For the production and marketing activities with respect to skincare products, we are required by relevant PRC laws and regulations to hold (i) the Filing Certificate for Domestic Ordinary Cosmetics (國產非特殊用途化妝品備案憑證) and (ii) the cosmetics manufacturing certificate.

(3) For the production and marketing activities with respect to special skincare products, we are required by relevant PRC laws and regulations to hold (i) the Registration Certificate for Domestic Special Cosmetics (國產特殊化妝品產品註冊證) and (ii) the cosmetics manufacturing certificate.

(4) There is one SKU, namely *Collgene* branded Human-like Recombinant Collagen LIFTACTIV Prime Reserve Serum (可麗金Human-like膠原蛋白賦能珍萃原液), with a recommended retail price of RMB2,850.

(5) For the production and marketing activities with respect to functional foods, we are required by relevant PRC laws and regulations to hold (i) the certificate of product approval, (ii) food production license, and (iii) food business license. We are also required to obtain the approvals for the advertisements of functional foods.

We have two business segments, namely (i) professional skin treatment and (ii) functional foods and others. There are synergies between these two segments, given our bioactive ingredients produced by our synthetic biology platform can be used in both segments. For example, our ginsenosides are being used in our skincare product under *SKIGIN*, as well as our functional food product, namely Shengan Capsule. In addition, we believe these two segments are synergetic in the following aspects: (i) certain sales channels can be used by both segments; and (ii) consumer perception of our Group's image as a synthetic biology technology driven company can be enhanced based on the application of various bioactive ingredients in different product segments.

During the Track Record Period, we generated revenue primarily from the sales of professional skin treatment products under *Comfy* and *Collgene* brands. The following table sets forth a breakdown of our revenue by brand and by product category for the periods indicated (with medical dressing classified as medical device):

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2019		2020		2021		2021		2022	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB '000, except percentages)									
							(Unaudited)			
Professional Skin Treatment Products										
Comfy	**289,541**	**30.3**	**421,319**	**35.4**	**897,728**	**57.8**	**262,907**	**50.5**	**428,363**	**59.2**
– Medical dressing	271,884	28.4	309,592	26.0	566,031	36.5	183,441	35.2	230,959	31.9
– Functional skincare	17,657	1.8	111,727	9.4	331,697	21.4	79,466	15.3	197,404	27.3
Collgene	**481,421**	**50.3**	**559,398**	**47.0**	**525,942**	**33.9**	**202,013**	**38.8**	**238,421**	**33.0**
– Medical dressing	31,343	3.3	27,599	2.3	21,700	1.4	7,430	1.4	9,535	1.3
– Functional skincare	450,078	47.0	531,799	44.7	504,242	32.5	194,583	37.4	228,886	31.7
Other brands	**81,830**	**8.6**	**91,925**	**7.7**	**79,382**	**5.1**	**32,064**	**6.2**	**39,683**	**5.5**
– Medical dressing	70,282	7.3	64,436	5.4	54,251	3.5	20,006	3.8	30,264	4.2
– Functional skincare	11,548	1.2	27,489	2.3	25,131	1.6	12,058	2.3	9,419	1.3
Functional Foods and Others	**103,910**	**10.9**	**117,837**	**9.9**	**49,434**	**3.2**	**23,614**	**4.5**	**16,568**	**2.3**
Total	**956,702**	**100.0**	**1,190,479**	**100.0**	**1,552,486**	**100.0**	**520,598**	**100.0**	**723,035**	**100.0**

The table below sets forth a further breakdown of revenue and gross margin by sales channel for our flagship brands, namely *Comfy* and *Collgene*, for the periods indicated:

	For the Year Ended December 31,									For the Five Months Ended May 31,					
	2019			2020			2021			2021			2022		
	Revenue		Gross Margin	Revenue		Gross Margin	Revenue		Gross Margin	Revenue		Gross Margin	Revenue		Gross Margin
	Amount	%	(%)	Amount	%	(%)	Amount	%	(%)	Amount	%	(%)	Amount	%	(%)
	(RMB'000, except percentages)														
										(Unaudited)					
Comfy															
Direct sales	135,476	46.8	93.1	249,448	59.2	91.1	591,960	65.9	90.8	156,186	59.4	91.2	264,831	61.8	90.0
Online direct sales through DTC stores	117,252	40.5	93.2	206,576	49.0	91.2	495,580	55.2	90.7	126,815	48.2	90.8	202,983	47.4	90.1
Online direct sales through e-commerce platforms	–	–	–	29,787	7.1	90.5	65,019	7.2	95.6	22,446	8.5	94.7	45,903	10.7	93.5
Offline direct sales	18,224	6.3	92.2	13,085	3.1	91.8	31,361	3.5	82.4	6,925	2.6	87.1	15,945	3.7	78.3
Sales to distributors	154,065	53.2	84.4	171,871	40.8	81.1	305,768	34.1	84.6	106,721	40.6	81.9	163,532	38.2	80.9
Total	289,541	100.0	88.5	421,319	100.0	87.0	897,728	100.0	88.7	262,907	100.0	87.4	428,363	100.0	86.5
Collgene															
Direct sales	38,400	8.0	86.9	59,097	10.6	89.7	78,099	14.8	88.3	22,219	11.0	90.5	60,804	25.5	82.3
Online direct sales through DTC stores	28,791	6.0	89.4	49,540	8.9	90.3	64,058	12.2	89.3	17,414	8.6	92.3	53,795	22.6	81.8
Online direct sales through e-commerce platforms	1,947	0.4	91.6	3,190	0.6	92.9	5,078	1.0	90.1	1,086	0.5	90.7	3,501	1.5	89.4
Offline direct sales	7,662	1.6	76.4	6,367	1.1	83.1	8,963	1.7	80.0	3,719	1.8	82.3	3,508	1.5	83.2
Sales to distributors	443,021	92.0	81.7	500,301	89.4	84.9	447,843	85.2	84.3	179,794	89.0	84.2	177,617	74.5	81.1
Total	481,421	100.0	82.1	559,398	100.0	85.4	525,942	100.0	84.9	202,013	100.0	84.9	238,421	100.0	81.4

Our overall growth in revenue during the Track Record Period was primarily driven by the sales of professional skin treatment products, which increased both in absolute amount and as a percentage of our total revenue. Revenue contribution from products under the *Comfy* brand consistently increased throughout the Track Record Period, while revenue contribution from products under the *Collgene* brand and functional foods and others decreased, primarily driven by (i) substantial growth from *Comfy* as we devoted more resources in *Comfy's* online sales which outperformed the sales of other brands; (ii) a decrease in sales volume of products under *Collgene* mainly as a result of a decline in procurement volume by our largest customer, namely Xi'an Chuangkecun, in 2021, including (1) Xi'an Chuangkecun's decline in sales in 2021 as a result of its reduced promotion efforts and marketing expenses (as compared to 2020) to focus on its profitability instead of business scale, and (2) the reduced sales of Human-like Collagen Crystal Brightening Intensive Ampoule due to changes in consumer preferences as such packaging was out of consumers' favor due to its less user-friendly way of application; and (iii) the decreased revenue contribution from functional foods and others due to the discontinued sales of products with comparatively lower profit margins. *Comfy* and *Collgene* will remain as our flagship brands in the future with increased brand investment over time, and we expect these brands to continue to grow. For example, we experienced sales growth of *Collgene* brand in the five months ended May 31, 2022 compared to the same period in 2021 as a result of the increased investment in direct sales efforts on *Collgene* branded products and continued rolling out of new SKUs under *Collgene* brand. Functional foods and others will also remain an integral part of our business portfolio, and we expect sales from this product category to grow over time based on our plan to (i) further enhance the sales of *Shengan Capsule* with increased sales and marketing efforts, and (ii) expand our portfolio of functional foods and others.

Comfy

Comfy is our dermatology-grade (with products of Class II medical device registration), professional skincare brand designed to offer skin repair and other skincare solutions. Launched in 2011, *Comfy* was initially developed for users after receiving professional or medical skin treatments. In 2011, we successfully obtained a Class II medical device registration for one of our *Comfy* branded medical dressings, Human-like Collagen Dressing, making it the first recombinant collagen-based product with such registration in China. Due to its efficacy and safety profile, Human-like Collagen Dressing quickly gained recognition in the medical community following its launch. Leveraging on our early commercial success, we expanded *Comfy* branded products for mass market use with a goal of providing consumers with a product for skin with problematic conditions in 2015. *Comfy* was the second best-selling brand in the medical dressing market as well as the fourth best-selling professional skin treatment brand in China in terms of retail sales in 2021, according to Frost & Sullivan.

Since the brand's establishment and up to the Latest Practicable Date, *Comfy* had been one of our flagship brands, where we launched a total of 45 SKUs and phased out 13 old SKUs. During the Track Record Period, we developed 33 SKUs and phased out 8 old SKUs under the *Comfy* brand with a recommended retail price generally between RMB99 and RMB459, and are sold across all our sales channels. Since we expanded the sales of *Comfy* to the mass market in 2015 and our growing scale in recent years, we accelerated the launch of new SKUs to cater for diversified consumer demand. The number of commercialized products under *Comfy* increased from one SKU in 2015 to seven SKUs in 2019, and further to 20 SKUs in 2020 and 30 SKUs in 2021.

The table below sets forth a further breakdown of revenue and sales volume by top three selling products of our *Comfy* brand for the periods indicated:

Rank	Product name	Revenue	Sales volume[(1)]
		(RMB'000)	*(in thousand unit)*
Year ended December 31, 2019			
Top 1	Human-like Collagen Dressing	258,090	4,941
Top 2	Human-like Collagen Spray	7,788	132
Top 3	Liquid Dressing	4,571	68
Year ended December 31, 2020			
Top 1	Human-like Collagen Dressing	278,699	6,206
Top 2	Sodium Hyaluronate Repair Mask	29,875	684
Top 3	Revitalizing Repair Masque	20,451	406
Year ended December 31, 2021			
Top 1	Human-like Collagen Dressing	457,135	7,474
Top 2	Sodium Hyaluronate Repair Mask	87,394	2,354
Top 3	Liquid Dressing	86,048	3,223
Five months ended May 31, 2022			
Top 1	Human-like Collagen Dressing	159,925	3,245
Top 2	Sodium Hyaluronate Repair Mask	39,607	1,042
Top 3	Revitalizing Comforting Toner	28,268	577

Note:

(1) The sales volume includes the respective product sold in different specifications.

In 2021, we have sold over 7.4 million packs of Human-like Collagen Dressing. Human-like Collagen Dressing is well-recognized in the industry. In September 2013, Human-like Collagen Dressing was approved by the Ministry of Science and Technology as the "National Key New Product" (國家重點新產品). In February 2017, it was recognized as a "Well-known Product in Shaanxi Province" (陝西省名牌產品). In 2021, it was the best-selling medical dressings on both Tmall and JD.com.

As of the Latest Practicable Date, we had 32 SKUs under *Comfy,* including one medical dressing collection with four products registered as medical devices and four skincare collections with 28 SKUs targeting mass consumer groups. *Comfy* branded products are primarily designed for skin repair as well as with other functions such as skin hydration, moisturizing, calming, and soothing. *Comfy* branded products are available through various product types, including dressings, facial masks, toners, lotions, sprays, serums, creams and gels. The shelf life of medical dressings are 24 months, and the shelf life of other skincare products are between 24 to 36 months.

Medical Dressing Collection (醫用敷料系列)

Designed to assist the treatment of wounds or skin inflammation, our Medical Dressing Collection contains recombinant human-like collagen which can repair skin barriers and tackle skin issues such as sensitivity, dermatitis, and acne. Our Medical Dressings Collection includes four product offerings diversified options to facilitate skin treatment. Three products, namely (i) Human-like Collagen Dressing, (ii) Human-like Collagen Repair Dressing and (iii) Human-like Collagen Biorepair Dressing, are registered as Class II medical devices, and the other product, Liquid Dressing, is registered as a Class I medical device. Products under our Medical Dressing Collection are dressings in the forms of facial masks and lotions.

Human-like Collagen Dressing – Flagship Product in the Medical Dressing Collection

Our Human-like Collagen Dressing, in the form of a facial mask, has been the best-selling product across all of our brands for three consecutive years since 2019.

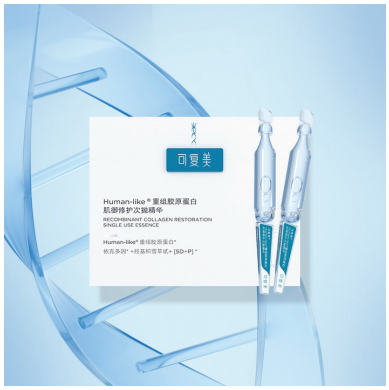
Our Human-like Collagen Dressing is designed for various skin repair functions, including (i) promoting skin healing and repairing damaged skin barriers; (ii) inhibiting and alleviating skin inflammatory reactions such as acne and dermatitis; and (iii) preventing post-inflammatory hyperpigmentation and scar formation.

Collagen Repairing Collection (膠原修護系列)

Our Collagen Repairing Collection is designed to repair skin barriers, soothe redness and sensitive skin, as well as hydrate and moisturize skins. Products under our Collagen Repairing Collection include sprays, serums, facial masks, creams, and lotions.

Human-like® Recombinant Collagen Restoration Single-Use Serum – Flagship Product in the Collagen Repairing Collection

Launched in October 2021, our Human-like® Recombinant Collagen Restoration Single-Use Serum is the first skin serum product to contain four types of recombinant collagen in China.



Our Human-like® Recombinant Collagen Restoration Single-Use Serum has strong skin repair capabilities, along with the abilities to hydrate skins. It utilizes four types of recombinant collagen to promote (i) skin barriers repair and collagen fiber support, and (ii) growth of fibroblasts which offers anti-aging effects.

Hydration and Soothing Collection (補水安敏系列)

Our Hydration and Soothing Collection is designed for sensitive skins. These products hydrate and moisturize the skin, while also reduce the sensitivity of skins. Products under the Hydration and Soothing Collection include facial masks, toners and lotions.

Anti-Acne and Cleansing Collection (淨痘清顏系列)

Our Anti-Acne and Cleansing Collection is designed for acne-prone skins. These products provide acne care, maintain water-oil balance and soothe redness. Products under Anti-Acne and Cleansing Collection include facial masks, gels, and lotions.

Anti-aging and Time-freezing Collection (駐顏凝時系列)

Our Anti-aging and Time-freezing Collection is designed to help users maintain youthful-looking skin. These products help smoothen skin lines, brighten skin radiance and improve skin elasticity. Products under Anti-aging and Time-freezing Collection include facial masks, creams and eye creams.

Collgene

Launched in 2009, *Collgene* is our mid-to-high end multi-faceted functional skincare brand, and targets consumers seeking skincare products with major functions of anti-aging, skin maintenance and skin repair. We have used our proprietary recombinant collagen with different combinations in *Collgene* branded products as they are safe and with high efficacy, as well as work well with other ingredients in skincare products to achieve enhanced skincare performance. *Collgene* branded products have achieved broad recognition by consumers. For example, *Collgene* branded recombinant collagen skincare products were awarded "Famous Products of Shaanxi" (陝西省名牌產品) in 2016. *Collgene* was also awarded the "Star of Daily Skincare Brand" (日化美妝品牌之星) in 2019. Our flagship product under *Collgene*, Human-like Collagen Safety Repair Spray, was awarded "Excellent Industrial Product in Shaanxi" (陝西省工業精品) in January 2021. This product was also accredited with the "Golden Product Award 2021 – Technology Innovation Award" (金物獎 – 2021技術創新獎) among more than a thousand domestic products in December 2021.

Since the brand's establishment and up to the Latest Practicable Date, *Collgene* had been one of our flagship brands, where we launched a total of 175 SKUs and phased out 116 old SKUs. During the Track Record Period, we developed 87 SKUs and phased out 70 SKUs under the *Collgene* brand with a recommended retail price generally between RMB109 and RMB680, and are sold across all our sales channels. During the early stages of brand development, we mainly focused on expanding the number of SKUs. In recent years, the brand development strategy shifted to a more balanced approach of developing new SKUs, while rationalizing and upgrading existing SKUs to meet diversified consumer demands. As a result, the number of commercialized products under *Collgene* reached 49 and 48 SKUs in 2019 and 2020, then further to 59 SKUs in 2021.

The table below sets forth a further breakdown of revenue and sales volume by top three selling products of our *Collgene* brand for the periods indicated:

Rank	Product name	Revenue	Sales volume[(1)]
		(RMB'000)	*(in thousand unit)*
Year ended December 31, 2019			
Top 1	Human-like Collagen Safety Repair Spray	105,990	2,642
Top 2	Human-like Collagen Safety Repair Renovate Mask	31,440	665
Top 3	Human-like Collagen LIFTACTIV Essence Lotion	24,108	241
Year ended December 31, 2020			
Top 1	Human-like Collagen Safety Repair Spray	151,493	4,294
Top 2	Human-like Collagen Safety Repair Renovate Mask	45,894	2,081
Top 3	Human-like Collagen Crystal Brightening Intensive Ampoule	33,328	967
Year ended December 31, 2021			
Top 1	Human-like Collagen Safety Repair Spray	145,473	3,767
Top 2	Human-like Collagen Safety Repair Renovate Mask	33,870	2,293
Top 3	Human-like Collagen Protective Spray	20,980	412
Five months ended May 31, 2022			
Top 1	Human-like Collagen Safety Repair Spray	52,177	1,484
Top 2	LIFTACTIV Tightening Mask	27,414	958
Top 3	Human-like Collagen Safety Repair Renovate Mask	15,145	1,205

Note:

(1) The sales volume includes the respective product sold in different specifications.

As of the Latest Practicable Date, our product portfolio under *Collgene* included 59 SKUs in the forms of sprays, facial masks, creams, serums, lotions and gels, providing different combinations of anti-aging, tightening, whitening, hydrating and moisturizing properties. Three *Collgene* branded products, namely (i) Human-like Collagen Nasal Muscosa Repair Gel, (ii) Human-like Collagen Biorepair Dressing and (iii) Human-like Collagen Repair Dressing, are registered as Class II medical devices. The shelf life of *Collgene* branded medical devices are 24 months, and the shelf life of other skincare products are 24 to 36 months.

Safety Collection (健膚系列)

Our Safety Collection is designed for daily skincare use and is suitable for all skin types. Products under Safety Collection include sprays, facial masks, lotions and creams.

Human-like Collagen Safety Repair Spray – Flagship Product in the Safety Collection

Launched in December 2014, our Human-like Collagen Safety Repair Spray is a spray designed for everyday use. It helps replenish collagen, repair skin barriers and slow down the natural skin aging process through its small and easily absorbable recombinant collagen molecules. Users also have the flexibility to apply this product both before and after facial make-up.

During the Track Record Period, we sold more than 12.1 million bottles of Human-like Collagen Safety Repair Spray, making it one of the most popular collagen-based sprays in China, according to Frost & Sullivan.

LIFTACTIV Collection (賦能系列)

Our LIFTACTIV Collection offers anti-aging products for consumers with mature skin. This collection includes creams, serums, facial masks and lotions.

LIFTACTIV Tightening Mask – Flagship Product in the LIFTACTIV Collection

LIFTACTIV Tightening Mask contains three types of anti-aging ingredients, namely anti-aging grade Human-like® recombinant collagen C5HA, ultra-vitamin A and Boseine. It helps replenish collagen, repairs skin barriers, induces skin fibroblasts to secrete endogenous collagen, and helps to strengthen the skin structure and resist the aging process. Our LIFTACTIV Tightening Mask is designed for people with dry lines or pseudo-dynamic lines caused by staying up late and those who need to fight against early aging.

LIFTACTIV Sunblock Lotion

LIFTACTIV Sunblock Lotion is our first registered special skincare product. In contrast to ordinary skincare products, special skincare products are required to comply with higher manufacturing and efficacy standards in order to obtain the special skincare product designation. As such, the entry barriers for the special skincare product market are significantly higher than that of ordinary skincare products, and the approval process for special skincare products is significantly longer than that of ordinary skincare products.

LIFTACTIV Sunblock Lotion is the first pure physical sunblock product with recombinant collagen on the market in China, according to Frost & Sullivan. On top of typical sunblock function, this product contains recombinant collagen that can form a protective film on the skin surface to lock skin moisture, as well as secrete collagen and activate elastin to prevent skin aging. Due to our optimized proprietary formula, LIFTACTIV Sunblock Lotion is suitable for all types of skin, including sensitive skin, and is alcohol-free and preservative-free.

LIFTACTIV Anti-wrinkle and Firming Cream

LIFTACTIV Anti-wrinkle and Firming Cream was launched in September 2022 and is designed for all skin types. In this product, we deploy our patented recombinant human-like collagen C5HA bionic combination technology. (Human-like®重組膠原蛋白C5HA仿生組合) which increases the proportion of Type III recombinant human collagen targeting anti-aging properties to tighten skin and reduce wrinkles.

Relief Collection (舒緩系列)

Our Relief Collection is designed for users with highly sensitive skins or users with seasonal or acute skin allergies. Products under our Relief Collection can help soothe redness, burning, itching, peeling and other allergy. Products under Relief Collection include sprays, lotions, creams and facial masks.

Revitalizing Collection (活元系列)

Our Revitalizing Collection offers products for daily skincare use for young skins. These products allow our consumers to preserve their youthful-looking skin. Products under Revitalizing Collection include facial masks, lotions, sprays, gels and serums.

Brightening Collection (瀅亮系列)

Our Brightening collection is designed for daily skincare use for dull skins and skins with an uneven skin tone. Designed to improve dull skins, these products can help consumers reinvigorate their skin and restore healthy-looking skin. Products under Brightening Collection include facial masks and serums.

Protection Collection (安護系列)

Our Protection Collection provides comprehensive care for sensitive skin and is suitable for use before and after professional skin treatment. Products under Protection Collection include sprays, facial masks, creams and lotions.

Men's Collection (男士系列)

Our Men's Collection is designed for daily skincare for men, and primarily consists of gel facial cleansers and toners.

Starlight Collection (星光系列)

Our Starlight Collection is designed for consumers post professional skin treatment. Products under Starlight Collection include serums.

Inspire Collection (睿芽系列)

Our Inspire Collection is designed for the daily skincare use for infants and children. These products are designed to maintain healthy skin and retain skin moisture. Products under our Inspire Collection include creams and shampoos.

Other Major Skincare Brands

Keyu

Launched in 2015, *Keyu* is our medical-grade medical dressing brand developed for consumers seeking the relief and prevention of skin inflammatory conditions. *Keyu* branded products are in the form of lotion, focusing on (i) healing and repairing skins after professional skin treatment as well as (ii) inhibiting and relieving skin inflammatory reactions and reducing the risk of post-inflammatory hyperpigmentation and scar formation. Our flagship product under *Keyu* is Human-like Collagen Repair Dressing which is registered as a Class II medical device. The shelf life of *Keyu* branded medical devices are 24 months, and the shelf life of other skincare products are 36 months.

Since the brand's establishment and up to the Latest Practicable Date, we had launched four SKUs under the *Keyu* brand. During the Track Record Period, we developed three SKUs under the *Keyu* brand with a recommended retail price between RMB86 and RMB283, and are sold across majority of our sales channels (except online direct sales through online retail operation of e-commerce platforms). The commercialized medical devices under this brand are namely (i) *Keyu* Human-like Collagen Repair Dressing, and (ii) *Keyu* Human-like Collagen Biorepair Dressing.

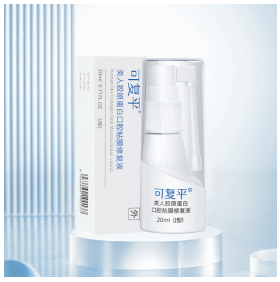
Kehen

Launched in 2016, *Kehen* is our scar-repair brand specifically designed to help our customers prevent and assist the treatment of scars originated from burns, wounds and surgeries. As one of the top-selling brands in the collagen-based scar-removal medical dressing market, *Kehen* has been well-recognized for its superior qualities in preventing scarring and assist the treatment of scars from burns, wounds and surgeries. Our flagship product under *Kehen* is the Human-like Collagen Scar Repair Gel. The shelf life of our product under *Kehen* is 24 months.

Since the brand's establishment and up to the Latest Practicable Date, we had launched one SKU under the *Kehen* brand with a recommended retail price of RMB498. The product under the *Kehen* brand is sold across all our channels. The *Kehen* Human-like Collagen Scar Repair Gel was commercialized as a Class II medical device.

Kefuping

Launched in 2016, *Kefuping* is our brand designed for consumers seeking the prevention and repair of oral mucositis and mouth ulcers through the reparative properties of recombinant collagen. As of the Latest Practicable Date, we had one product under this brand, the Human-like Collagen Oral Mucosa Repair Liquid. The shelf life of our product under *Kefuping* is 24 months.



Since the brand's establishment and up to the Latest Practicable Date, we had launched one SKU under the *Kefuping* brand with a recommended retail price of RMB199. The product under the *Kefuping* brand is mainly sold via our DTC stores and distributors. The *Kefuping* Human-like Collagen Oral Mucosa Repair Liquid was commercialized as a Class II medical device.

Leeyen

Launched in 2019, *Leeyen* is our brand focused on feminine care with recombinant collagen having skin repair properties. The shelf life of our products under *Leeyen* is 24 months.

Since the brand's establishment and up to the Latest Practicable Date, we had launched three SKUs under the *Leeyen* brand with a recommended retail price between RMB128 and RMB340, and are mainly sold via distributors. The product range remained unchanged throughout the Track Record Period. *Leeyen* Carbomer Human-like Collagen Gynecological Gel was commercialized as a Class II medical device.

SKIGIN

Launched in 2019, *SKIGIN* is our rare ginsenosides-based skincare brand targeting consumers seeking skincare products with anti-aging function. *SKIGIN* branded products utilize the antioxidant properties of rare ginsenoside RK3 to achieve skin rejuvenation effect. The shelf life of our products under *SKIGIN* is 36 months.

Since the brand's establishment and up to the Latest Practicable Date, we had launched nine SKUs and phased out five old SKUs under the *SKIGIN* brand with a recommended retail price between RMB247 and RMB585, and are sold across majority of our sales channels (except online direct sales through online retail operation of e-commerce platforms).

In addition to the major brands above, we also have three other brands for functional skincare, namely *VIEW-LAN, VISILAN* and *Cofuxin*. *VIEW-LAN* branded products focus on sensitive skin stabilization, which strengthen skin barriers and deeply hydrate skins. *VISILAN* branded products focus on anti-aging skincare, which help firm and lift skins. *Cofuxin* is our skincare brand designed for consumers aged from 18 to 25 seeking a solution for skin hydration and moisturization.

Shengan

Launched in 2019, *Shengan* is our ginsenosides-based functional food brand. *Shengan* branded functional foods help consumers that seek to strengthen immune systems which in turn could also improve sleep quality and maintain healthy conditions. The shelf life of our products under *Shengan* is 24 months. Since the brand's establishment and up to the Latest Practicable Date, we had launched one SKU under the *Shengan* brand with a recommended retail price of RMB570. The product under the *Shengan* brand is mainly sold via distributors.

Shengan Capsule – Flagship Product under Shengan.

Shengan Capsule (previously "Hong Sheng Capsule") is the first functional food product that used ginsenosides that we manufacture in-house. In addition to ginsenosides, Shengan Capsule also has *ganoderma* extract, *angelica* extract and *epimedium* extract. Since its launch, Shengan Capsule has been increasingly accepted by consumers, with a repurchase rate of 45.4% in 2021.

OUR EXPANDING AND DIVERSIFIED PRODUCT PIPELINE

Our Product Development and Portfolio Expansion Strategy

Since our incorporation, we have been committed to continuous innovation to offer a multi-brand product portfolio that applies our latest proprietary technologies across skin types, application scenarios, and consumer groups to address diverse and evolving consumer needs. As such, our product development strategy focuses on expanding both applications and product types of our product portfolio. By expanding product applications, such as from skin repair and tightening to anti-aging and whitening, we are able to maximize customer touchpoints by offering a broader array of products with significant complementary value and similar brand positioning to our current product portfolio. By expanding product portfolio, we are able to advance our proprietary technologies to enter into new product categories, such as biomedical materials, to expand our customer reach. With a diversified and expanding product portfolio, we believe we are able to generate additional demand from customers, expand customer base by further penetrating addressable target markets, and capitalize on the increasing demand for technology-based products.

Our Product Pipeline

We have built a diversified product pipeline to meet the growing market demand for high-quality, technology-based beauty and health products. As of the Latest Practicable Date, our product pipeline included 103 product candidates, comprising 50 functional skincare products, 37 medical dressings and four skin rejuvenation products under our beauty product portfolio, as well as two biomedical products, seven functional foods and three food products for special medical purposes under our health product portfolio.

Beauty Product Portfolio

Our beauty products under development primarily comprise (i) functional skincare products; (ii) medical dressings and (iii) skin rejuvenation products. The following table sets forth the key information for the major products under our beauty product pipeline as of the Latest Practicable Date:

Product	Indication	Expected Period for R&D	Developmental Stage				Expected Medical Device Registration Certificate	Estimated Approval
			Product Development	Product Conversion	Type Testing	Product Registration		
Functional Skincare Products	For functions such as skin repair, anti-aging and whitening	Six to 24 months	———	Currently developing 50 new functional skincare products			———	2022-2024
Medical Wound Repair Gel[(1)]	For non-chronic wounds such as post-surgical suture wounds	12 to 36 months					Class II	Approval obtained in June 2022
Spray Dressing for Skin Repair[(1)]	For the repair of wounds	12 to 36 months					Class II	2022 Q4
Recombinant Collagen Sterile Dressing[(1)]	For post-professional skin treatment skin care	12 to 36 months					Class II	2023 Q4
Recombinant Collagen Gynecological Repair Dressing[(1)] (For External Use)	For OBGYN non-chronic wounds	12 to 36 months					Class II	2023 Q4
Recombinant Collagen Anorectal Gel[(1)]	For hemorrhoid wounds	12 to 36 months					Class II	2023 Q4
			Developmental Stage					
			Product Development	Type Testing	Clinical Stage	Product Registration		
Recombinant Collagen Skin Rejuvenation Serums	Intradermal and subcutaneous rejuvenation product for anti-aging (mainly targets facial skin)	More than 36 months (including clinical trial)					Class III	2024 Q1
Recombinant Collagen Skin Rejuvenation Freeze-Dried Powder	Intradermal and subcutaneous rejuvenation product for anti-aging (mainly targets face wrinkles such as forehead lines and crow's feet)	More than 36 months (including clinical trial)					Class III	2024 Q1
Recombinant Collagen Skin Rejuvenation Gels	Intradermal and subcutaneous rejuvenation product for anti-aging (mainly targets moderate to severe neck wrinkles)	More than 36 months (including clinical trial)					Class III	2025 1H
Cross-linking Recombinant Collagen Skin Rejuvenation Gels	Intradermal and subcutaneous rejuvenation product - for anti-aging (mainly targets moderate to severe nasolabial folds)	More than 36 months (including clinical trial)					Class III	2025 1H

Note:

(1) As of the Latest Practicable Date, we were developing 37 medical dressings, including five key SKUs illustrated above. Other medical dressings under development include cream and liquid dressings for skin repair, scar repair gels, sterile wound dressings and various types of recombinant collagen dressings, all of which are expected to be registered as Class II medical devices.

Functional Skincare Products

We were developing 50 skincare products for skin repair, anti-aging, and whitening as of the Latest Practicable Date, among which 39 are expected to be recombinant collagen-based and four are expected to be ginsenosides-based, to complement our existing skincare product portfolio. As of the Latest Practicable Date, we had 39 product candidates of functional skincare products in the product development stage, three in the product conversion stage, seven in the type testing stage, and one remained pending for their respective product registration approval. We expect to file for 48 product candidates with Shaanxi Medical Products Administration by 2023, and obtain the approvals for the remaining two from NMPA by 2024. The key pipeline products include *Comfy* Human-like® Recombinant Collagen Repair Serum (可復美Human-like®重組膠原蛋白修護精華).

Comfy Human-like® Recombinant Collagen Repair Serum

Expected to launch in the first quarter of 2023, *Comfy* Human-like® Recombinant Collagen Repair Serum is designed for all skin types, especially fragile skin. In this product, we deploy our patented recombinant human-like collagen C5HR bionic combination technology (Human-like®重組膠原蛋白C5HR仿生組合) which increases the proportion of recombinant human-like collagen promoting skin healing to repair fragile skin barrier and maintain skin stability.

Medical Dressings

As of the Latest Practicable Date, we had commercialized 12 products that are medical dressings and registered as medical devices. We are developing 37 medical dressings, among which 26 are recombinant collagen-based products, to treat broader types of skin. Two key products are Medical Wound Repair Gel (醫用創面修復凝膠) and Recombinant Collagen Sterile Dressing (重組膠原蛋白無菌敷料). These pipeline products are expected to be registered as Class II medical devices with the local NMPA at provincial level, and clinical trials are not required. We generally conduct the R&D, trial production and clinical evaluation, and engage a third party service provider to conduct verification. As of the Latest Practicable Date, we did not foresee any legal impediment to obtaining the respective medical device registrations for the products in our medical dressing pipeline.

Medical Wound Repair Gel

Medical Wound Repair Gel is a sterile gel product for the care of non-chronic wounds such as post-surgical suture wounds. It forms a wet barrier film over the wound surface to protect the wound from infection. Meanwhile, it provides an environment that promotes tissue growth and wound healing, and significantly shortens the recovery time.

We have passed the registration inspection for Medical Wound Repair Gel and obtained the Class II medical device registration certificate for this product from Shaanxi Medical Products Administration in June 2022.

Recombinant Collagen Sterile Dressing

Recombinant Collagen Sterile Dressing is a sterile medical dressing for post-professional skin treatment skin care. It promotes the repair of damaged skin barriers, and provides a closed, but hydrated, environment for the recovery of damaged skin. Recombinant Collagen Sterile Dressing is provided in a sterile form and can be applied to larger skin surfaces.

As of the Latest Practicable Date, we had completed the development of the formulation for this product and are currently in the process of trial production by our Group and verification by a third party vendor. We expect to obtain the Class II medical device registration certificate for this product from Shaanxi Medical Products Administration in the fourth quarter of 2023.

Skin Rejuvenation Products

According to Frost & Sullivan, recombinant collagen as a filling material has great market prospects and high technological barriers, given recombinant collagen has the ability to promote cell adhesion and proliferation, as well as stimulate collagen regeneration in human body, which provides a safer and better skin rejuvenation effect. We are developing recombinant collagen-based filler products for different body parts, including full-face moisturizing, forehead lines, crow's feet, necklines and nasolabial folds, as well as to address the evolving and diverse consumer needs. The four pipeline products are Recombinant Collagen Skin Rejuvenation Serums (重組膠原蛋白液體製劑), Recombinant Collagen Skin Rejuvenation Freeze-Dried Powder (重組膠原蛋白固體製劑), Recombinant Collagen Skin Rejuvenation Gels (重組膠原蛋白凝膠) and Cross-linking Recombinant Collagen Skin Rejuvenation Gels (交聯重組膠原蛋白凝膠). These pipeline products are expected to be registered as Class III medical devices with the National Medical Products Administration, and we typically engage third party professional service providers to conduct the required clinical trials. We generally conduct the trial production and engage third party service providers to conduct verification. As of the Latest Practicable Date, we did not foresee any legal impediment to obtaining the respective medical device registrations for the products in our skin rejuvenation pipeline.

Recombinant Collagen Skin Rejuvenation Serums

Recombinant Collagen Skin Rejuvenation Serums are intradermal and subcutaneous rejuvenation products for anti-aging purposes with additional hydration and moisturizing functions, mainly targeting facial skin.

As of the Latest Practicable Date, we were in the process of conducting clinical trials for the Recombinant Collagen Skin Rejuvenation Serums which are expected to take around 18 months and complete in 2023. The clinical trials are designed as blank-controlled trials and are expected to enroll 116 trial participants. We have successfully enrolled our first trial participant in August 2022. As of the Latest Practicable Date, we enrolled 16 trial participants. We expect to obtain the Class III medical device registration certificate for this product from NMPA in the first quarter of 2024.

Recombinant Collagen Skin Rejuvenation Freeze-Dried Powder

Recombinant Collagen Skin Rejuvenation Freeze-Dried Powder is an intradermal and subcutaneous rejuvenation product for anti-aging purposes, mainly targeting face wrinkles such as forehead lines and crow's feet. It contains extremely pure recombinant collagen which has outstanding biocompatibility and is able to supplement collagen in the skin as well as stimulate autologous collagen regeneration.

As of the Latest Practicable Date, we were in the process of conducting clinical trials for the Recombinant Collagen Skin Rejuvenation Freeze-Dried Powder, which are expected to take around 18 months and complete in 2023. The clinical trials are designed as non-inferiority trials, and are expected to enroll 192 trial participants. We have successfully enrolled our first trial participant in August 2022. As of the Latest Practicable Date, we enrolled 118 trial participants. We expect to obtain the Class III medical device registration certificate for this product from NMPA in the first quarter of 2024.

Recombinant Collagen Skin Rejuvenation Gels

Recombinant Collagen Skin Rejuvenation Gels are intradermal and subcutaneous rejuvenation products for anti-aging purposes, mainly targeting moderate to severe neck wrinkles. They contain micro cross-linking recombinant collagen which has outstanding biocompatibility and degradability. The Recombinant Collagen Skin Rejuvenation Gels can immediately fill the fine lines on the skin and simulate autologous collagen regeneration.

As of the Latest Practicable Date, we were at the pre-clinical product development stage for our Recombinant Collagen Skin Rejuvenation Gels. The clinical trials for this product are expected to take around 24 months, starting from late 2022. The clinical trials are expected to be designed as non-inferiority trials and are expected to enroll a total of 300 trial participants. We expect to receive the Class III medical device registration certificate from NMPA in the first half of 2025.

Cross-linking Recombinant Collagen Skin Rejuvenation Gels

Cross-linking Recombinant Collagen Skin Rejuvenation Gels are intradermal and subcutaneous rejuvenation products for anti-aging purposes, mainly targeting moderate to severe nasolabial folds. They contain strong cross-linking recombinant collagen which has outstanding biocompatibility and degradability. The Cross-linking Recombinant Collagen Skin Rejuvenation Gels can immediately fill the wrinkles on the skin, especially nasolabial folds, and stimulate autologous collagen regeneration.

As of the Latest Practicable Date, we were at the pre-clinical product development stage for our Cross-linking Recombinant Collagen Skin Rejuvenation Gels. The clinical trials for this product are expected to take around 24 months, starting from 2023. The clinical trials are expected to be designed as non-inferiority trials and are expected to enroll a total of 300 trial participants. We expect to receive the Class III medical device registration certificate from NMPA in the first half of 2025.

Health Product Portfolio

Biomedical Materials

We are developing other biomedical material products, among which the bone repair materials and absorbable biofilms represent two key pipeline products.

Bone Repair Materials

Our bone repair materials are designed to fill and repair bone defects in the alveolar bone or jawbones as a result of injury or insufficient bone mass. Expected to be registered as a Class III medical device, our bone repair materials utilize the physiological and mechanical properties of absorbable biomedical materials, as well as its compatibility with the human body, to create a stable and suitable material for bone repair.

The R&D of our bone repair materials is expected to take more than 36 months. As of the Latest Practicable Date, we were conducting non-inferiority clinical trials for our bone repair materials and had enrolled 51 trial participants out of 200 intended for this clinical trial. We had successfully applied our bone repair materials to our first trial participant in July 2022 and expect the clinical trials to take around 24 months. We aim to complete our clinical trials by 2023. We anticipate submitting our product registration application to the NMPA by 2023, with a view to receive a Class III medical device registration certificate from NMPA in the fourth quarter of 2024.

Absorbable Biofilms

In China, absorbable biofilms are widely used in oral implants and maxillofacial surgery with significant market prospects. Our absorbable biofilms are a recombinant collagen-based biomedical material product designed for insulation and filling after tooth extraction, root extraction and alveolar ridge enlargement procedures. Expected to be registered as a Class III medical device, our absorbable biofilms utilize both the structural properties of recombinant collagen, as well as its reparative properties. The R&D of absorbable biofilms is expected to take more than 36 months. We are at the pre-clinical product development stage for our absorbable biofilms. We expect to start our clinical trials in 2023, which are expected to be designed as non-inferiority clinical trials for a duration of approximately 24 months. We will enroll approximately 200 trial participants for the clinical trials. We anticipate receiving a Class III medical device registration certificate for the absorbable biofilms from NMPA in 2026.

Functional Foods and Foods for Special Medical Purposes

As of the Latest Practicable Date, we were developing seven functional foods primarily for boosting immune systems, reducing blood lipid and blood sugar level and improving sleep, and three food products for special medical purposes. Our key functional food product candidate is *Panax Notoginseng* and Red Rice Tablets (三七紅曲片). Our key food for special medical purposes product candidate is a type of nutritional food designed for individuals with dietary restrictions, digestive and absorption issues and metabolic disorders.

Panax Notoginseng and Red Rice Tablets

Our *Panax Notoginseng* and Red Rice Tablets are ginsenosides-based functional foods designed to help decrease blood lipids.

As of the Latest Practicable Date, we completed in-human studies for our *Panax Notoginseng* and Red Rice Tablets and submitted our product registration application to the SAMR in 2020, which was subsequently accepted in the same year. We expect to receive the product approval from SAMR after 2023.

Nutritional food for dietary restrictions, digestive and absorption issues and metabolic disorders

Our nutritional food designed for individuals with dietary restrictions, digestive and absorption issues and metabolic disorders provides nutritional support to people with such conditions. It contains carbohydrates, protein, vitamins and minerals that the users can rely on as the source of nutrition to support their nutritional needs. The R&D of such product is expected to take more than 36 months. We expect to receive the product approvals for the three foods for special medical purposes from SAMR in or after 2024.

RESEARCH AND DEVELOPMENT

Our R&D Strategy and Focus

We are committed to investing in R&D since our incorporation in 2000, which are pivotal to our success to date. Our R&D activities focus on (i) the continued fundamental research and advancement of our proprietary synthetic biology technologies to design, develop and manufacture various types of recombinant collagen, rare ginsenosides and other bioactive ingredients which can be used for our current and future products, and (ii) the development and launch of new products to expand our product portfolio.

We continuously design and develop novel recombinant collagen and rare ginsenosides with favorable biological properties. Such bioactive ingredients are then applied to develop new products or improve existing product lines. For example, capitalizing on our patented recombinant human-like collagen bionic combination technology, we reformulate some of our marketed products by integrating four types of recombinant collagen to broaden customer reach. We believe our innovation and R&D on proprietary synthetic biology technologies helped us achieve and maintain the leadership position in collagen-based product industry in China.

Leveraging our profound industry insights, we take a market-oriented approach when formulating our product development strategies, with the goal to offer a diversified and expanding product portfolio addressing evolving and diverse consumer demand. For example, we are developing skin rejuvenation products and next-generation biomedical materials, including recombinant collagen-based fillers and freeze-dried powder, bone repair materials and absorbable biofilms, to offer consumers more diversified options as well as to capture the growth opportunities of skin rejuvenation and biomedical material market in China. See "– Our Expanding and Diversified Product Pipeline" for more details of our pipeline products.

As of the Latest Practicable Date, our R&D efforts had resulted in 79 patents and pending patent applications, a diverse portfolio of 105 SKUs as well as a pipeline of 103 product candidates. We established the Shaanxi Province Engineering Research Center for Biomaterials (陝西省生物材料工程研究中心) in 2010 and then established the National and Local Engineering Research Center for Biomaterials (生物材料國家地方聯合工程研究中心) in 2012. Moreover, we are the first collagen-based product company with a patent awarded the National Technology Invention Award in 2013 in China, established a Post-doctoral Research Center (博士後工作站) in 2015, and are the first collagen-based product company with a patent awarded the China Patent Gold Award in 2016 in China. In 2021, we established the Shaanxi Province Key Laboratory of Passive Medical Devices (陝西省無源醫療器械重點實驗室), and we became the first company selected by the National Clinical Research Center for Skin and Immune Diseases (國家皮膚與免疫疾病臨床醫學研究中心) to conduct collaborative R&D on dermatology, showcasing our leadership in skincare R&D in the country.

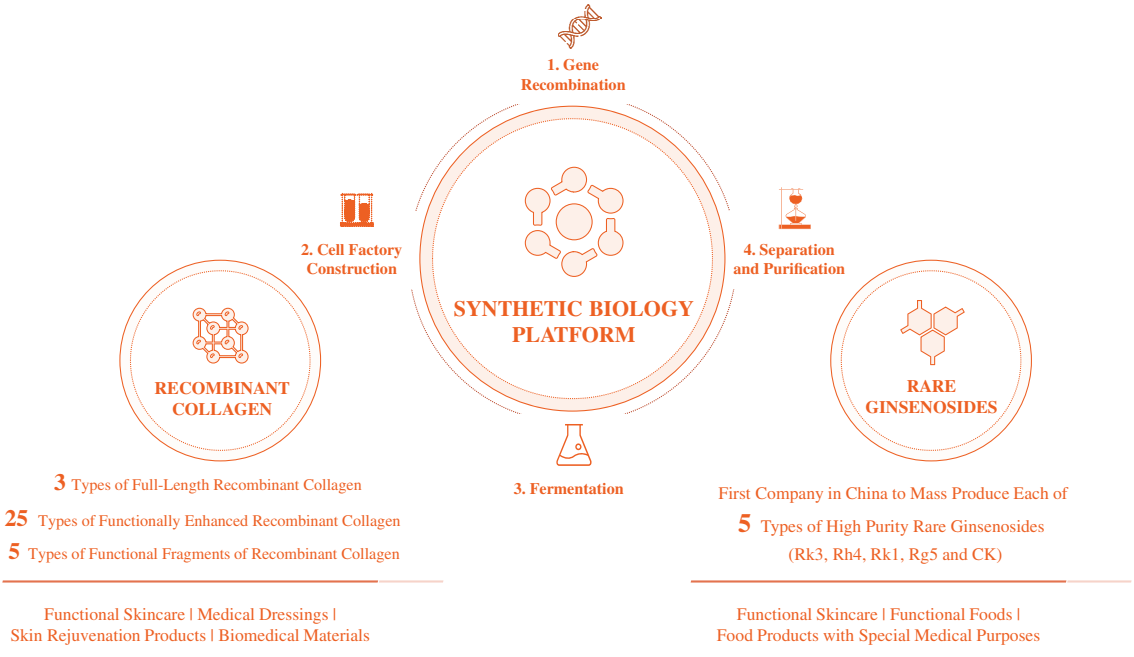
The R&D of our marketed products generally involves initial product development, prototype testing and filing or registration, before the products are mass produced and commercialized. According to Frost & Sullivan, the R&D generally take approximately six to 12 months for functional skincare products, 12 to 36 months for medical dressings and 24 to 36 months for functional foods. For certain Class III medical devices, clinical trials are required and the R&D process may take more than 36 months.

Our Synthetic Biology Technology Platform

Our foundational R&D and product development are centered on our proprietary synthetic biology technology. Synthetic biology is an interdisciplinary area that involves the application of engineering principles to biology, which aims at design and fabrication of biological components and systems. Synthetic biology technologies enable production of ingredients for beauty and health products more sustainably and reliably at a larger scale and of consistent quality, compared to certain traditional methods, namely extractions from petrochemicals, animal sources and plant-based sources. As such, synthetic biology has a broad spectrum of potential applications in cosmetics, food and medicine.

We design and develop recombinant collagen, rare ginsenosides and other bioactive ingredients with our proprietary synthetic biology technology. We believe our synthetic biology technology is hard to replicate as it has integrated years of cross-disciplinary research and accumulated know-how on biotechnology, biochemistry and bioengineering encompassing the core components such as gene recombination, cell factory construction, fermentation, separation and purification. We have built a diversified and expanding product portfolio for a wide group of consumers across application scenarios on top of our synthetic biology technology platform.

The following diagram describes the synthetic biology technology platform:



Synthetic Biology Approach to Recombinant Collagen

We apply synthetic biology approach to manufacture recombinant collagen, which comprise four key components: gene recombination, cell factory construction, fermentation and separation/purification.

- ***Gene recombination.*** To develop new recombinant collagen, we start with identifying and obtaining the target gene through gene synthesis. The target genes will have sequences that serve as the blueprint for synthesis of the desired proteins.

- ***Cell factory construction.*** After obtaining the target gene, we select an appropriate expression system according to the sequence and characteristics of the target recombinant collagen and construct a genetically engineered bacterium (e.g. *E. Coli* and *pichia pastoris*) to be used to produce recombinant collagen in cell culture through fermentation.

- ***Fermentation.*** Once the expression system and genetically engineered bacterium are in place, recombinant collagen are produced through a fermentation process. In order to ensure efficient production, we have developed innovative technologies to modulate and regulate the production process. During the fermentation process, enzyme inhibitors and substrates are also added to maximize our yield and prevent recombinant collagen from degrading.

- ***Separation and Purification.*** Once fermentation is complete, we conduct a separation and purification process to isolate the recombinant collagen from the fermentation products. The technology and efficacy of the separation and purification process are critical in achieving high purity levels for recombinant collagen as purity is highly correlated with safety and efficacy and is a prerequisite for use in certain medical products. Our separation and purification process includes an innovative adsorption process which enables us to shorten batch processing times and improve yields and purity of recombinant collagen.

Technological Breakthroughs

The ability to produce recombinant collagen at a large scale and with high quality is critical to the commercialization of recombinant collagen-based products. Since our inception, we have achieved multiple technological breakthroughs. For example, we have developed and applied high-density fermentation and highly efficient separation and purification techniques to resolve the efficiency issues that had previously hindered the commercialization of recombinant collagen-based products globally. This breakthrough enables us to achieve a industry-leading level of recombinant collagen expression as well as to achieve a 90% yield rate after one round of processing from our recombinant *E. coli* target proteins, which is the industry-leading purification and yield rate, according to Frost & Sullivan.

Efficient and consistent protein expressions enable us to increase manufacturing scale while ensuring the high quality of recombinant collagen. As of the Latest Practicable Date, we had one of the largest recombinant collagen manufacturing capacities globally. Moreover, our recombinant collagen has a purity level of 99.9% which meets industry standards for medical-grade materials, as well as bacterial endotoxin levels below 0.1EU/mg which is significantly superior to industry standards for medical-grade materials, according to Frost & Sullivan. We believe our manufacturing know-how and prowess constitute a key competitive advantage and technological barriers to entry.

Our Proprietary Recombinant Collagen

To date, we have constructed a recombinant collagen molecule library containing (i) three types of full-length recombinant collagen, namely Type I, Type II and Type III recombinant human collagen, and (ii) 25 types of functionally enhanced recombinant collagen and five types of functional fragments of recombinant collagen.

- ***Full-length recombinant collagen*** is a type of recombinant collagen that is completely identical to the amino acid sequence of the human collagen chain obtained by high-density fermentation after genetically engineering human collagen gene into microorganisms. As such, this type of recombinant collagen has high levels of biocompatibility and low levels of immunogenicity in humans and demonstrates excellent safety levels.

- ***Functionally enhanced recombinant collagen*** is formed through repetitions of a fragment that is completely identical to the amino acid sequence of the human collagen chain. Functionally enhanced recombinant collagen achieves stable structure and enhanced functions through the repetitions of sequences.

We have developed four major recombinant collagen under each of full-length recombinant collagen and functionally enhanced recombinant collagen, namely Type I recombinant human collagen and Type III recombinant human collagen, recombinant human-like collagen and small-molecule recombinant collagen peptide. We formulate one or combinations of different types of recombinant collagen in most of our professional skin treatment products to amplify the various skincare properties of our products.

- ***Type I recombinant human collagen*** promotes pro-epithelial cell growth, which plays a critical role in skin repair.

- ***Type III recombinant human collagen*** promotes the growth of fibroblasts and the secretion of collagen by fibroblasts, which offers anti-aging properties.

- ***Recombinant human-like collagen*** promotes cell migration, a critical process in the development and maintenance of multicellular organisms for tissue formation and wound healing, and as such repairs damaged skin.

- ***Small-molecule recombinant collagen peptide*** is a highly versatile type of recombinant collagen and is easily absorbed by skin, promotes cell growth, and provides nutrition for cell growth and collagen secretion.

Synthetic Biology Approach to Rare Ginsenosides

In relation to rare ginsenosides, we apply synthetic biology technologies in our unique fermentation processes, which are one of the key manufacturing steps to derive rare ginsenosides. Specifically, we currently utilize genetically engineered enzymes and microbial strains to obtain desired rare ginsenosides. Moreover, we are in the process of developing the third synthetic biology approach that is to synthesize rare ginsenosides by utilizing genetically engineered bacteria strains without any input of raw ginsenosides.

Technology breakthroughs

Although rare ginsenosides have long been believed to possess a number of health and nutritional benefits, obtaining rare ginsenosides in large quantities has been difficult. Moreover, as ginsenosides in their natural form often demonstrate low levels of bioactivity, it necessitates further processing to convert the rare ginsenosides to achieve the desired bioactivity, potency, purity and stability.

Since we commenced R&D on rare ginsenosides in 2012, we have developed industry-leading rare ginsenosides manufacturing technologies to transform raw ginsenosides into a highly active form, as well as synthesize and mass-produce rare ginsenoside to apply its properties for a broad array of health purposes. Leveraging our proprietary technologies, we have resolved the low-efficiency issue in biotransformation and rapid inactivation of rare ginsenosides, which had been a significant limiting factor for large-scale production of rare ginsenosides in the industry. For example, our production efficiency for CK ginsenoside is more than 20 times higher than any other companies reported globally. The crude form of CK ginsenosides after biotransformation is significantly more concentrated than the CK ginsenoside found in plants at its natural content.

Our rare ginsenosides

We are the first company in China to mass produce each of five types of high purity rare ginsenosides, namely Rk3, Rh4, Rk1, Rg5 and CK, at a hundred kilogram-scale with one of the largest rare ginsenosides production capacities in the world, according to Frost & Sullivan. We deploy different combinations of these five types and plan to utilize new types of rare ginsenosides in our rare ginsenosides technology-based health products. With different combinations of various rare ginsenosides, we can maximize and enrich the functionalities and efficacy of our health products. In particular, the rare ginsenosides have the following health benefit potentials according to Frost & Sullivan:

- ***Rk3*** promotes liver function and reduces blood lipids and blood sugar level.
- ***Rh4*** relieves inflammation of the intestinal tract and reduces blood lipids and blood sugar level.
- ***Rk1*** inhibits the proliferation of tumor cells.
- ***Rg5*** induces apoptosis of certain cancer cells and reduces blood lipids and blood sugar level.
- ***CK*** induces apoptosis of tumor cells and improves the immune systems.

Our R&D Team

As of May 31, 2022, we had an R&D team of 124 members, representing 14.8% of our total employees. We have assembled an R&D team with a diverse academic background, including biochemistry and molecular biology, biotechnology, biological sciences, biochemistry, bioengineering, fermentation engineering, applied chemistry, food science and engineering, traditional Chinese medicine, pharmaceutical engineering and pharmacy.

Our core R&D personnel have had over ten years of experience of R&D on fermentation technology, biomedical materials and natural active products. Most of our R&D personnel also have work experience in biological engineering, pharmaceutical engineering and preventive medicine. 45 members have a master's degree or above, representing 36.3% of our R&D team as of May 31, 2022.

Our R&D team is divided into two teams which perform different functions, namely the technology R&D team and the product R&D team.

- Our technology R&D team primarily focuses on researching and developing new technologies for professional skin treatment products, functional foods and foods for special medical purposes. Additionally, our technology R&D team is responsible for upgrading and improving our synthetic biology technologies to design, develop and manufacture recombinant collagen and other bioactive ingredients at scale including more efficient recombinant collagen fermentation technology as well as more advanced expression and mechanisms of action of different types of recombinant collagen.

- Our product R&D team is mainly responsible for designing and developing new finished products, upgrading existing products based on in-depth industry insights and market research.

We have entered into legally binding confidentiality and non-compete agreements with our key employees as well as employees involved in our R&D activities. We have also entered into employment agreements, pursuant to which any intellectual property conceived and developed during their employment belongs to us and they waive all relevant rights or claims to such intellectual property.

Our R&D Collaborations

We primarily collaborate with medical institutions and academic institutions with respect to R&D activities. We conduct joint clinical research projects and knowledge sharing sessions with medical institutions on a regular basis to obtain relevant clinical data and feedback on our products.

Collaborations with Northwest University

We have collaborated with Northwest University to jointly execute the joint research projects such as high-density fermentation technology of recombinant collagen, preparation and properties of recombinant human-like collagen, as well as innovative development and testing of biomaterials. With respect to these research projects, Northwest University and us jointly engaged in theoretical and foundational research, while we have taken lead in the R&D on the commercial application as well as on mass-production technology of bioactive ingredients.

According to the relevant cooperation agreement in 2021 which overrides other joint research agreements between Northwest University and us since 2000, Northwest University, (i) upon our requests, shall transfer, or grant us the exclusive right of use of its patents on the technologies, relating recombinant human-like collagen, highly active natural products, biomedical materials and probiotics, that were jointly developed by Northwest University and us, and (ii) enjoy the non-commercial right of using such technologies such as publishing papers, applying for research subjects and further development of such technologies. In the meantime, we have the right to the commercialization of the patented technologies, as well as the right of industrialization, the right to market and the right to make profits. We also agree to provide funding and equipment for the joint research projects, as well as internship opportunities for students of Northwest University. We will enter into separate agreements with Northwest University in relation to specific joint research projects. With respect to research projects that we will entrust Northwest University to conduct and provide funding supports for in the future, we will have the right to apply for the patents from such research projects, as well as the rights to use, transfer, license and make profits from the patents, while Northwest University will enjoy the non-commercial right of using such technologies such as publishing papers and further development of such technologies. We believe the joint research activities are complementary to both of Northwest University and us. As of the Latest Practicable Date, we were the patent holders of eight patents derived from the joint research projects. We will continue this complementary relationship with Northwest University and explore more joint research projects with respect to recombinant collagen and other bioactive ingredients.

Collaborations with Medical Institutions

In addition, we also collaborate with medical institutions during the course of product development. The salient terms of our collaboration agreements during the Track Record Period are set out below:

- *Scope of services*. Medical institutions are responsible for conducting clinical trials and preparing the relevant clinical trial reports.

- *Fees and expenses*. Fees and expenses generally include management fees and are generally based on the number of enrolled patients.

- *Ownership of intellectual properties*. We generally enjoy exclusive ownership of the intellectual properties, including all documents, data and results of statistical analysis generated.

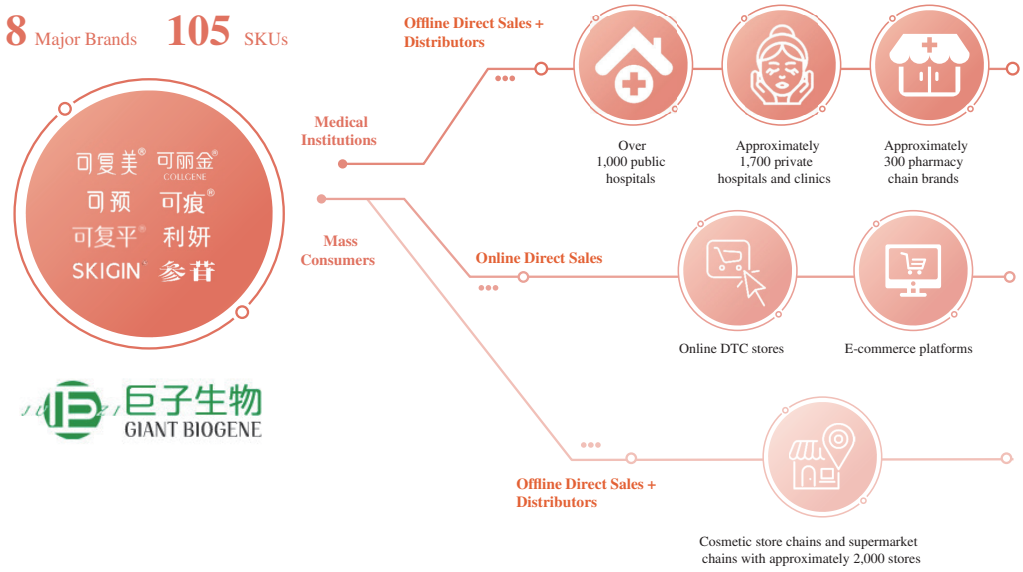
- *Confidentiality*. The medical institutions are permitted to disclose or publish the results of the clinical trials, subject to our review and consent.

SALES, DISTRIBUTION AND MARKETING

Our Omni-channel Sales and Distribution Network

We have established an omni-channel sales and distribution network to effectively reach our customers under our dual-pronged "medical institution + mass consumer" sales strategy.

Our Dual-Pronged "Medical Institution + Mass Consumer" Sales Strategy



Our brands such as *Comfy* were initially designed to provide skincare solutions for skin with problematic conditions. Therefore, we have developed a dedicated sales channel to medical community. The sales to medical institution customers have become the foundation of our brand equity. As our reputation in developing and manufacturing quality recombinant collagen-based products continued to grow, and the endorsements and supports we received from reputable hospitals and medical professionals continued to increase, we expanded our sales network to mass market.

As of the Latest Practicable Date, we had sold and distributed products to over 1,000 public hospitals, approximately 1,700 private hospitals and clinics, as well as approximately 300 pharmacy chain brands across China. We have also built a nationwide mass market sales network through direct sales and distributors. Our direct sales primarily include 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 Vipshop, which resell our products to customers through their online retail platforms. Our mass market distribution covers individual consumers, cosmetic store chains and supermarket chains including Watsons, Afiona, and THE COLORIST, Ole', Hualian Group and Hema Fresh with approximately 2,000 stores in China.

The diversity in our sales and distribution network allows us to increase the touch points of our products with end consumers, provide end consumers with varied shopping options, and cater to different consumption behavior and patterns. For instance, our DTC stores target consumers that typically purchase mid-to-high end skincare for anti-aging and skin repair needs and are generally accustomed to purchase directly from the stores we operated on established online platforms. The online retail platforms operated by the e-commerce platforms carry a wider selection of international and domestic brands, targeting consumers in the mass market with broader skincare demands and are accustomed to purchase products directly from established e-commerce platforms. Our offline sales and distribution network complements our online sales efforts by catering for consumers that enjoy the option to purchase from physical stores and offline retail experience.

The following table sets forth the breakdown of our revenue by sales channel for the periods indicated:

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2019		2020		2021		2021		2022	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in million, except percentages)						*(Unaudited)*			
Direct sales	**192.8**	**20.1**	**331.0**	**27.8**	**689.6**	**44.4**	**185.1**	**35.6**	**335.9**	**46.5**
– Online direct sales through our DTC stores	156.2	16.3	274.2	23.0	574.1	37.0	150.0	28.8	265.1	36.7
– Online direct sales to e-commerce platforms	1.9	0.2	33.0	2.8	70.1	4.5	23.7	4.6	49.8	6.9
– Offline direct sales	34.7	3.6	23.8	2.0	45.4	2.9	11.4	2.2	21.0	2.9
Sales to distributors	**763.9**	**79.9**	**859.5**	**72.2**	**862.9**	**55.6**	**335.5**	**64.4**	**387.2**	**53.5**
Total	**956.7**	**100.0**	**1,190.5**	**100.0**	**1,552.5**	**100.0**	**520.6**	**100.0**	**723.0**	**100.0**

During the Track Record Period, we devoted significant resources in online marketing activities so as to follow industry trends and capture market opportunities. We incurred (i) the platform service fees charged by the online platforms; (ii) the e-commerce platform marketing expenses; and (iii) social media marketing expenses. Platform service fees mainly include (i) the service fee rates of approximately 5-6% of sales amount charged by the relevant online platforms; and (ii) service fees rates of approximately 20-40% of sales amount generated from live streaming sessions and embedded links on such platforms. E-commerce platform marketing expenses mainly are in connection with online marketing services rendered such as premium advertisement placement of our products on e-commerce platforms' user interface, which are charged at cost per click or cost per mille (i.e. average cost of one thousand ad impressions). Social media marketing expenses mainly are in connection with online marketing services rendered for our products on social media platforms, such as content marketing

services, including blog recommendations and video recommendations of our products, which are charged at fixed fees per article/post/video as agreed on a case-by-case basis. As a result, our online direct sales outgrew the growth in sales to distributors and the revenue contributions by online direct sales increased from 16.5% in 2019 to 41.5% in 2021 and further increased to 43.6% in the five months ended May 31, 2022. Therefore, despite our modest growth in sales to distributors during the Track Record Period, the revenue contributions by sales to distributors decreased from 79.9% in 2019 to 55.6% in 2021 and further decreased to 53.5% in the five months ended May 31, 2022.

Such greater spending in online sales and marketing activities on e-commerce platforms and social media platforms resulted in an increase in online marketing expenses from RMB64.5 million in 2019 to RMB124.6 million 2020 and further to RMB306.1 million in 2021, and from RMB77.2 million for the first five months in 2021 to RMB178.9 million for the same period in 2022. Accordingly, such expenditures substantially contributed to an overall decline in adjusted net profit margins (non-IFRS measure) during the Track Record Period.

Direct sales

We directly sell our products to customers through both online and offline channels. During the Track Record Period, our revenue from direct sales was RMB192.8 million, RMB331.0 million, RMB689.6 million and RMB335.9 million, respectively, accounting for 20.1%, 27.8%, 44.4% and 46.5% of our total revenue for the same periods, respectively.

Our online direct sales customers are mainly (i) individual consumers who purchase our products through our DTC stores, and (ii) e-commerce platforms such as JD.com and Vipshop who purchase our products and resell to customers through their online retail platforms. As of December 31, 2019, 2020, 2021 and May 31, 2022, we had 26, 35, 43 and 40 DTC stores, respectively. As sales through e-commerce platforms continue to be a growing trend with respect to skincare products, our online direct sales have experienced significant increases throughout the Track Record Period, attributable to our enhanced online marketing efforts to capture market opportunities, and contributed to the change in sales channel mix. We generally allow our individual consumers to return or exchange our products in a condition suitable for a second sale within seven days from the delivery according to the relevant laws and regulations. Our offline direct sales increased in 2021, while experienced a decrease in 2020 primarily under the impact of COVID-19 pandemic as the medical institutions suspended or lowered operational activities. Our direct sales channel, especially online direct sales, will be the top priority in our expansion of sales channels in the future. We plan to further expand our online direct sales channels, and also invest in online marketing activities. In addition, we plan to further build up our offline direct sales to pharmacy chains, cosmetic store chains and supermarket chains, and establish our own physical presence in shopping malls, mid-to-high end cosmetic stores and supermarkets in high-traffic areas. See "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**]." Therefore, we foresee a further growth in our direct sales as well as an increase in the revenue contribution from direct sales, and a decrease in the revenue contribution from our sales to distributors in the future.

We enter into one-year standard sales agreements with e-commerce platforms who are our online direct sales customers. The salient terms of the standard sales agreements include contract term, pricing policy, payment and credit terms, logistics arrangements and return policies. The price and volume are specified in purchase orders. We deliver our products to e-commerce platforms before they make payments. Subject to any specific arrangements, we generally grant a credit period of 60 days to e-commerce platforms. E-commerce platforms are entitled to return products to us under various circumstances, including product quality issues, obsolete inventory, or product returns from consumers to such online retailers.

Our offline direct sales customers are mainly hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains. We enter into standard sales agreements with offline direct sales customers. The salient terms of the standard sales agreements include price, payment and credit terms, logistics arrangements and return policies. The volume are specified in purchase orders. We allow payment after we deliver our products to offline direct sales customers. We generally grant a credit period of 30 days to 180 days to offline direct sales customers. We generally do not accept product returns from offline direct sales customers except due to product quality defects.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the value of products returned from our direct sales channels was immaterial as to our total revenue for the same periods, respectively.

Sales to Distributors

In addition to direct sales, we also engage distributors to sell our products. The relationship between our distributors and us are as sellers and buyers. Leveraging on distributors' industry and customer resources, we believe our distributorship model helps us scale our operations and replicate our success in a cost-efficient manner. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our revenue from sales to distributors was RMB763.9 million, RMB859.5 million, RMB862.9 million and RMB387.2 million, respectively, accounting for 79.9%, 72.2%, 55.6% and 53.5% of our total revenue for the same periods, respectively. Our distributors consist of Xi'an Chuangkecun, which primarily targets the mass market, and other distributors that target and cover both the mass market and medical institutions. We will further expand our reach across medical institutions and the mass market by partnering with qualified distributors. See "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**]." Accordingly, we expect a decrease in the revenue contribution by Xi'an Chuangkecun, our largest distributor and largest customer during the Track Record Period. See "– Our Customers – Our Relationship with Xi'an Chuangkecun." To our best knowledge, our distributors primarily sell our products to their customers such as individual consumers, hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains.

The following table sets forth the further breakdown of our revenue from sales to distributors by sales channel for each major brand and product type for the periods indicated:

		For the Year Ended December 31,						For the Five Months Ended May 31,			
		2019		2020		2021		2021		2022	
		Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
		(RMB in thousands, except for percentages)									
								(Unaudited)			
Xi'an Chuangkecun	Professional skin treatment products										
	– *Collgene*	402,564	52.7	467,330	54.4	402,145	46.6	159,597	47.6	158,397	41.0
	– Other brands	2,435	0.3	8,832	1.0	14,085	1.6	6,221	1.9	6,725	1.7
	Functional foods and others	94,275	12.3	110,777	12.9	38,229	4.4	20,857	6.2	15,623	4.0
	Subtotal	**499,274**	**65.3**	**586,939**	**68.3**	**454,459**	**52.6**	**186,675**	**55.7**	**180,745**	**46.7**
Other Distributors	Professional skin treatment products										
	– *Comfy*	154,065	20.2	171,871	20.0	305,768	35.4	106,721	31.8	163,532	42.2
	– *Collgene*	40,457	5.3	32,971	3.8	45,698	5.3	20,197	6.0	19,219	5.0
	– Other brands	62,436	8.2	61,140	7.1	47,938	5.6	19,282	5.7	22,882	5.9
	Functional foods and others	7,717	1.0	6,575	0.8	9,071	1.1	2,660	0.8	784	0.2
	Subtotal	**264,675**	**34.7**	**272,557**	**31.7**	**408,475**	**47.4**	**148,860**	**44.3**	**206,417**	**53.3**
Total		**763,949**	**100.0**	**859,496**	**100.0**	**862,934**	**100.0**	**335,535**	**100.0**	**387,162**	**100.0**

The gross profit margins for our sales to our top ten distributors in each of the years/period comprising the Track Record Period were generally in the similar range for similar products. For instance, the gross profit margins for the sales of *Collgene* products to Xi'an Chuangkecun were 82.5%, 83.7%, 84.0% and 80.4% in 2019, 2020, 2021 and the first five months of 2022, respectively, which were within the range of gross profit margin for our sales of *Collgene* products to the remaining top ten distributors of 74.5-82.1%, 84.3-89.6%, 84.2-92.3% and 80.0-90.7% during the same periods.

During the Track Record Period, we maintained different brand positioning and sales strategies for products under *Comfy* and *Collgene*. *Collgene* is a mid-to-high end multi-faceted functional skincare brand, with major functions of anti-aging, skin maintenance and skin repair. During the Track Record Period, the sales of products under *Collgene* was predominantly via distributors to both the mass market and medical institutions and to a lesser extent via direct sales efforts. On the other hand, *Comfy* was initially designed as a dermatology-grade professional skincare brand mainly targeting medical institutions. Subsequently, with the increasing popularity of *Comfy* branded medical dressings, we

expanded *Comfy* branded products to cater for mass market use as well as to online channels in 2015 to meet consumers' skincare needs for medical quality products. Accordingly, the products under *Comfy* are currently sold mostly through direct sales, and to distributors that target and cover both the mass market and medical institutions. As a result, the sales channels were different for products under *Comfy* and *Collgene* during the Track Record Period.

In addition, the other skincare brands are sold and distributed via both direct sales and sales to distributors, targeting both the mass market and medical institutions. The functional food brand is primarily sold and distributed via distributors for the mass market.

Our Distributorship Network

We believe that distributors with strong sale channel management capabilities as well as sales and distribution experience of skincare products can help us penetrate a broader user base and increase our market share as well as enhance our brand awareness efficiently. The engagement of distributors to sell professional skin treatment products and functional foods are industry norm in China, according to Frost & Sullivan.

We maintain a nationwide distribution network. As of May 31, 2022, we had business relationships with 385 distributors across China. During the Track Record Period and up to the Latest Practicable Date, we had not provided any financial assistance or similar arrangements to any distributors (including Xi'an Chuangkecun). The following table sets forth the number of our distributors and their movements during the Track Record Period:

	For the Year Ended December 31,			For the Five Months Ended May 31,
	2019	**2020**	**2021**	**2022**
At the beginning of the period	**151**	**299**	**374**	**406**
Newly appointed	155	85	81	35
Terminated	(7)	(10)	(49)	(56)
Net increase/(decrease)	148	75	32	(21)
At the end of the period	**299**	**374**	**406**	**385**

During the Track Record Period, we had a net increase in the total number of distributors. We discontinued our relationships with seven, ten, 49 and 56 distributors in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, primarily because these distributors failed to meet our distributor assessment requirements such as sales capabilities and compliance with our distribution policies. The increase in the number of distributors that we

terminated from ten in 2020 to 49 in 2021 and further to 56 in the five months ended May 31, 2022 was primarily because (i) we decided not to renew certain distributors due to their small revenue contribution as we grow our business, and (ii) certain distributors failed to meet their designated sales targets. The number of distributors terminated due to the small revenue contribution was four, nine, 44 and 27 in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. The number of distributors terminated due to their failure to meet the designated sales targets was two, one, five and ten in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. In the five months ended May 31, 2022, we also ceased the business relationships with 16 distributors who settled their payments with us through third-party payors. In 2019, 2020, 2021 and the five months ended May 31, 2022, we also appointed 155, 85, 81 and 35 new distributors, respectively, which was primarily driven by our business expansion. To the best of our knowledge, as of May 31, 2022, all of our distributors were Independent Third Parties.

We typically enter into standard distribution agreements, which are sales and purchase agreements in nature, with our distributors. The salient terms of our standard distribution agreements used during the Track Record Period are set out below:

- *Duration.* The agreement generally has a term of one year.

- *Designated distribution area.* We typically designate specific hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains within a particular geographical area to different distributors. The distributors are not allowed to sell our products outside of their designated distribution areas. As of the Latest Practicable Date, there was no overlap in the coverage of the specific hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains within a particular geographic area among our distributors.

- *Minimum purchase requirements*. We generally do not have minimum purchase requirements for our distributors.

- *Deposit.* We require distributors to pay us a deposit, which serves as a guarantee for their execution of the distribution agreements. If our distributors fail their sales targets or sell our products outside the designated distribution area, we have the right to retain the deposit.

- *Sales and performance targets.* We set monthly and annual sales and performance targets for our distributors. If the distributors fail to meet 80% of the sales targets for a quarter, we are allowed to engage other distributors in the designated distribution area. If the distributors fail to meet 50% of the sales targets for a quarter, we are allowed to terminate the distributor and retain the deposit.

- *Sub-distributorship arrangement.* We generally do not prohibit our distributors from engaging sub-distributors.

- *Pricing policy.* We sell to our distributors at a discount to the recommended retail price. We also provide the recommended retail prices to our distributors.

- *Payment and credit terms.* We typically require distributors to make payments before we deliver the products to them, while we generally grant credit period up to 30 days to certain large-scale distributors with good creditworthiness.

- *Logistics.* We are responsible for delivering our products to locations agreed between distributors and us.

- *Warranty.* We represent that the products we sell meet the requirements of relevant laws and regulations.

We generally do not accept returns from our distributors unless there are product defects with our products. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the value of products returned from our distributors amounted to RMB2.1 million, RMB0.7 million, RMB1.2 million and RMB0.9 million, which represented a product return rate of 0.3%, 0.1%, 0.1%, and 0.2%, respectively, in connection with the sales to distributors.

Distributors' Selection and Management

We have adopted selective distributor recruitment standards to ensure that our distributors are qualified and resourceful. We select our distributors based on their experience and business performance in the skincare industry, particularly in distributing functional skincare products and medical dressings. Our distributors are typically (i) corporates whose business scope covers sales of skincare products with strong operational capabilities and sales networks, and (ii) corporates that specialize in medical dressings sales with the requisite licenses in distributing medical dressings in China, as well as established relationships with medical institutions within their designated regions.

We regularly review the performance of distributors through a stringent selection process and annual assessment. We consider various factors in renewing agreements with distributors, including their qualifications, sales and marketing capabilities, sales network, financial resources, customer resources and synergies with our brands.

In addition, we proactively manage our distributors to comply with the requirements of relevant laws and regulations. We require our distributors to have adequate storage conditions and facilities, a sufficient number of quality management personnel, and adequate sales channels resources. We adopt and implement a suite of distributor management policies to ensure distributors are in compliance with the legal requirements. Our distributor management policies typically set out a variety of operational guidelines, including promotion activities, inventory management and payment requirements. In particular, we organize trainings for our distributors in marketing and promotion activities, and provide a list of contents that they should avoid using in promotion activities to ensure compliance with relevant legal

requirements. The distribution agreements also require distributors to obtain relevant operation license or filing and to inform us of any changes in their operational status within reasonable time. Where the operation license or filing of a distributor is suspended or expires, we will cease supplying products until the distributor submits a renewed operation license or filing to us.

Moreover, we have implemented a reporting mechanism and formed a dedicated market inspection team to conduct regular and ad hoc inspections of our distributors to ensure compliance with relevant legal requirements. We may impose penalties, including suspension of product supply and termination of relevant distribution arrangements, if they fail to comply with the legal requirements and rectify within the prescribed time. We communicate with the major distributors (including Xi'an Chuangkecun) in respect of their inventory levels at least quarterly. For Xi'an Chuangkecun, we conduct regular physical on-site inspections of its warehouse and inventory level at least once a quarter; and also obtain its quarterly product stock-out record for cross checking against our sales to Xi'an Chuangkecun and its inventory level. In addition, for top-selling SKUs listed in the quarterly product stock-out record, we also randomly select and check shipment record to monitor its sales to consumers. Before renewing their respective distribution agreement, our distributors (including Xi'an Chuangkecun) are required to report the inventory at the end of such year to us to formulate the sales targets for the next year. For our major brands such as *Comfy*, *Collgene*, *Keyu* and *Kehen*, we generally require the distributors who sell to medical institutions to provide invoices of prior sales of such products before next delivery. In addition, we have set up a performance evaluation mechanism to assess the monthly, quarterly and annual sales performance of our distributors in order to identify and select the best distributors according to their performance. Furthermore, we maintain regular dialog with distributors to understand the latest issues encountered during the sales and marketing activities and help them address and resolve these issues to maintain a healthy and effective distribution network.

We include anti-corruption clauses in our agreements with distributors to ensure that our distributors comply with our internal measures and policies as well as the applicable laws and regulations. We also have adopted distributor management policies and sales management policies to ensure transparent and fair selection and review mechanisms. Our Directors are of the view that such measures are sufficient and effective because we are not aware of any anti-corruption incidents with respect to our distributors during the Track Record Period and up to the Latest Practicable Date. Therefore, we believe we have in place a set of robust distributor selection, review and management policies and measures. To our best knowledge, none of our existing and terminated distributors were the subject of any material non-compliant incident, claim or litigation in relation to the sales of our products during the Track Record Period and up to the Latest Practicable Date.

We believe that our sales are driven by the actual consumer demand and therefore we are subject to minimal risk of channel stuffing in our distribution network, primarily because (i) we generally require full payment before delivering products to distributors or grant a short credit period to selective large-scale distributors; (ii) we generally do not allow returns of products sold to distributors except for product defects; (iii) we do not set minimum purchase

requirements for distributors; and (iv) we require distributors to report to us at least quarterly on, and to maintain a reasonable level of, their inventory. In addition, we visit our distributors to understand their inventory levels, and discuss with them their sales strategy at least on a quarterly basis, and we work with them at the end of each year to formulate expected market demands for next year. To our best knowledge, we had not discovered any channel stuffing issue with our distributors during the Track Record Period and up to Latest Practicable Date. In the event of any identified channel stuffing issue, we will typically reduce or restrict further shipment of products to such distributor and terminate our business relationship with such distributor in severe cases.

We adopt the following measures to minimize cannibalization risk among different sales channels:

- price control policies and a designated team that monitors the prices of our products on various sales channels. If distributors intend to organize large scale promotions during the sales seasons, such as Single's Day, we require the distributors to submit written notification for our consent;

- specific geographical regions and end customers designated to our distributors, in order to reduce the degree of competition among them;

- a product tracing system that generates a unique code for most of our products to ensure that the majority of our popular SKUs and their sales are traceable, so as to prevent goods-fleeing[(1)]. The unique codes allow one to check certain information including the production date, the shipment date and customer information, such that we can identify the applicable distribution areas. We monitor such unique codes and trace products, particularly the products sold through online channels, generally on a monthly basis; and

- a penalty system for any distributor that engages in cross channel or cross region sales that are outside its designated sales channel or distribution area. Specifically, we will consider to impose penalties on such distributors, including forfeiture of their deposit or termination of business relationship with them.

Pricing Policy

We implement a competitive and effective pricing policy that complies with the relevant laws and regulations. We conduct market research and analysis in relation to the prices of our competitors, analyze and estimate the sales of our products by taking into account various factors such as the costs of our products and feedback from customers to determine the prices

Note:

(1) The phenomenon of goods-fleeing refers to the distributors in one region sell their products to another unauthorized region, resulting in damage to the interests of distributors in the other region.

of our products. We have differentiated pricing based on the types of end customers as well as the types of our products. The prices of our products did not experience material fluctuations in the past. We adopt different pricing policies to retail (i.e. the online direct sales through our DTC stores) and wholesale (i.e. the sales through other channels) of our products.

We proactively monitor the final retail price to the end consumers via various sales channel and generally endeavor to maintain the final retail price range to end consumers at similar levels. For our products targeting the mass market, pricing levels are generally comparable across channels, including our DTC stores, Xi'an Chuangkecun, proprietary e-commerce platforms and distributors, by (i) monitoring promotions across channels, (ii) agreeing on retail pricing policy with all distributors, (iii) designated personnel to conduct spot checks, (iv) if distributors intend to organize large scale promotions during the sales seasons, such as Single's Day, we require the distributors to seek our consent. For our products targeting medical institutions via distributors, we manage the same products sold through our direct sales channel to be at similar price range. In event any distributor is found to be in non-compliance with our retail pricing policies, we are typically entitled to forfeit their deposit or terminate business relationship with them.

With respect to online direct sales through our DTC stores, our products are generally sold with promotions and discounts from time to time to the recommended retail prices to our customers. With respect to online direct sales to e-commerce platforms and offline direct sales, our products are also generally sold at a discount to the recommended retail prices, taken into account the profit margins of the e-commerce platforms and our offline direct sales customers. According to Frost & Sullivan, the aforesaid discounts offered to e-commerce platforms and offline direct sales customers are within the similar range that comparable companies adopt for the same sales channels in China.

With respect to sales to distributors that cover the mass market, our products are generally sold at a greater discount to the recommended retail prices than the discounts offered to e-commerce platforms and offline direct sales customers, taken into account the volume of products purchased by our distributors, the profit margins of our distributors, the prices of our products across the market, marketing and promotion costs for the sales channels, designated distribution areas, as well as the number of end customers the distributors can reach. With respect to sales to distributors that cover the medical institutions, our products are generally sold at a greater discount to the recommended retail prices than the discounts offered to e-commerce platforms and offline direct sales customers as well, having taken into account the nature of the medical channel, volume of products purchased by our distributors, the profit margins of our distributors, sales and marketing costs for the sales channels, as well as the designated distribution areas. The discounts offered to distributors that cover mass market are generally lower than the discounts offered to distributors that cover medical institutions. According to Frost & Sullivan, the aforesaid discount offered to distributors that cover the mass market and medical institutions are within the similar range of discount that comparable companies adopt for their respective distributorship channels in China. See "– Sales, Distribution and Marketing – Our Omni-channel Sales and Distribution Network" for the revenue breakdown by sales channels.

Our distributors, including Xi'an Chuangkecun, sell our products to their respective customers at a smaller discount to the recommended retail price based on the discounts we granted to them. During the Track Record Period and up to the Latest Practicable Date, we implemented price control policies and established a designated team that monitored the prices of our products, such that we had been able to maintain a relatively stable final retail price range in relation to our products for most of our end consumers across various sales channels.

As of the Latest Practicable Date, our medical dressings were categorized as medical consumables under the Two-Invoice System. As of the Latest Practicable Date, the Two-Invoice System for non-high-value medical consumables had not been mandatorily implemented nationwide, and whether and when the Two-Invoice System for non-high-value medical consumables will be mandatorily implemented in certain provinces remains uncertain. To the best knowledge of our Group, as of the Latest Practicable Date, it was only mandatorily required by the governmental authority to implement such Two-Invoice System for non-high-value medical consumables in Shaanxi province. We had complied with the Two-Invoice System in all material aspects in the provinces that we were required to be subject to the Two-Invoice System for non-high-value medical consumables by the relevant governmental authorities during the Track Record Period and up to the Latest Practicable Date. We will closely monitor and assess any regulatory development and policy changes, and will maintain communications with the relevant governmental authorities with respect to the local implementation situation of such policy. If the Two-Invoice System for non-high-value medical consumables is implemented in other provinces in the future, we will take prompt action to ensure strict compliance. See "Regulatory Overview – Regulations Relating to Medical Devices Production and Operation – Regulations Regarding the Two-Invoice System."

Product Tracing

We have adopted measures to reduce the negative impact of counterfeits on our products. For instance, we entered into agreements with third-party service providers to create a unique device identification system, which provides a anti-counterfeiting code for most of our products. The system will store the records for each scanning and will automatically alert once the same code has been scanned more than twice, which will be automatically stored in our database. At the same time, our marketing personnel will conduct random checks of the circulation for each code generally on a monthly basis. Furthermore, we will impose certain penalties on the distributors if we discover that they are selling products outside the designated regions. While those efforts may enhance our ability to ensure the integrity of our products, brands and reputation, we may nonetheless encounter risks associated with counterfeits from time to time. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to adequately protect our intellectual property rights, which could harm the value of our brands and adversely affect our business."

During the Track Record Period and up to the Latest Practicable Date, there was no material complaint, claim, litigation or investigation of adverse events concerning the quality and safety of our products. See "Risk Factors – Risks Relating to Our Business and Industry – Any quality issues related to our products could result in a loss of customers and sales and may subject us to product liability claims."

Use of Personal Bank Accounts

Background

In the past, our two PRC subsidiaries, namely Xi'an Giant Biogene and Shaanxi Giant Biotechnology (the "**Relevant Subsidiaries**"), used certain personal bank accounts to primarily receive customers' payments (the "**Use of Personal Bank Accounts**"). The two former employees whose personal bank accounts received payments on behalf of our Group were former directors and in-house accounting staff of Xi'an Giant Biogene. The Relevant Subsidiaries used personal bank accounts to receive customers' payments because some customers requested the Use of Personal Bank Accounts to transact with our Group for convenience purpose. In the five months ended May 31, 2019, our Group transacted with 266 customers through the Use of Personal Bank Accounts, which were primarily small-scale distributors and corporates, small private clinics and individual customers. The payment and pricing terms and transaction patterns of these customers did not differ from other customers with direct settlement with our Group in all material respects. All the customers' payments received through personal bank accounts were duly booked. The Relevant Subsidiaries have recorded the income and paid the relevant taxes with respect to the customers' payments. We have settled the income tax payment of RMB22.4 million in 2021 due to the adjustments related to personal bank accounts. Moreover, all the customer payments received through the personal bank accounts have been transferred back to the corporate bank account of the Relevant Subsidiaries. These employees subsequently resigned from our Group in May 2019 to pursue other opportunities. Our Group has ceased the Use of Personal Bank Accounts since May 2019. For the first five months in 2019, the revenue derived from customer payments through such personal bank accounts represents 1.9% of our total revenue in 2019, which is an immaterial amount. During the Track Record Period and up to the Latest Practicable Date, there was not any past or present relationship or arrangement (business, family, employment, trust, financing or otherwise) between each of customers of the Relevant Subsidiaries, the former employees and our Group, except that (i) the former employees whose personal bank accounts received payments on behalf of our Group were directors and in-house accounting staff of Xi'an Giant Biogene; and (ii) one of such employees is brother of Mr. Yan.

In addition to the transactions with customers, our Group also used the aforementioned personal bank accounts during the Track Record Period to (i) make advances of RMB27.9 million to Mr. Yan, which had been repaid in full in 2020; (ii) make temporary advances of RMB1.4 million to the an employee, which had been repaid in full by the end of May 2019; and (iii) payments for services rendered by third-party e-commerce platforms, namely Taobao and Tmall via Alipay APP. Our Group's advances to Mr. Yan were for his personal use, including investment purpose.

Enhanced Internal Control Measures

Since the cessation of the Use of Personal Bank Accounts, we also implemented enhanced internal control measures with respect to sales management which explicitly provides the following:

- Explicit prohibitions as to the use of personal bank accounts for business purposes;
- Enhance the management of bank accounts within the finance department;
- All business-related transactions to be made through our Group's corporate bank accounts only; and
- Designated senior management to closely monitor the use of corporate bank accounts and their transactions.

Regulatory Confirmations

During the Track Record Period and up to the Latest Practicable Date, there had been no administrative penalties imposed by the relevant government authorities with respect to the Use of Personal Bank Accounts. Regulatory confirmations were obtained with several competent authorities in April 2022, namely (i) Xi'an Hi-tech Industries Development Zone Branch of the State Taxation Administration, (ii) Xi'an Branch of the People's Bank of China and (iii) Shaanxi Office of China Banking and Insurance Regulatory Commission, where they confirmed the following:

(i) they were aware of the Use of Personal Bank Accounts;

(ii) all the taxes payable in respect of the Use of Personal Bank Accounts have been duly paid by the Relevant Subsidiaries;

(iii) the Use of Personal Bank Accounts is not considered as non-compliance with applicable tax laws in China and the Relevant Subsidiaries will not be subject to any tax-related administrative penalties; and

(iv) the Use of Personal Bank Accounts will not constitute a material non-compliance of the PBOC regulations based on the facts of our Company's case, and the Relevant Subsidiaries involved will not be subject to administrative penalties.

Based on the above, our PRC Legal Advisors are of the view that (i) the Use of Personal Bank Accounts does not constitute (a) a non-compliance of our Group under the applicable PRC tax laws nor (b) a material non-compliance of our Group under other applicable PRC laws and regulations; and (ii) the risk that the relevant regulatory authorities would impose any administrative penalties on our Group for the Use of Personal Bank Accounts is remote. In addition, our PRC Legal Advisors are of the view that these government agencies are the competent authorities to provide the aforementioned confirmations.

Third-Party Payment Arrangements

Background

During the Track Record Period, certain of our customers (the "**Relevant Customer(s)**") settled their payments with us through third-party payors (the "**Third-party Payment Arrangement(s)**"). In 2019, 2020, 2021 and the five months ended May 31, 2022, the aggregate amount of third-party payments accounted for approximately 6.2%, 5.0%, 1.4% and 0.1% of the total revenue, respectively. During the Track Record Period and up to the Latest Practicable Date, there was not any past or present relationship or arrangement (business, family, employment, trust, financing or otherwise) between each of the Relevant Customers, the third party payors and our Group. No individual Relevant Customer had made a material contribution to our revenue during the Track Record Period. The following table sets forth the number of Relevant Customers and their movements during the Track Record Period:

	For the Year Ended December 31,			For the Five Months Ended May 31,
	2019	**2020**	**2021**	**2022**
At the beginning of the period	**48**	**80**	**74**	**41**
Addition	59	38	17	5
Reduction	(27)	(44)	(50)	(46)
Net increase/(decrease)	32	(6)	(33)	(41)
At the end of the period	**80**	**74**	**41**	**–**

During the Track Record Period and up to the date of this document, we have not proactively initiated any Third-Party Payment Arrangements, nor have we participated in other forms in any of such arrangements. In addition, during the Track Record Period and up to the date of this document, we have not provided any discount, commission, rebate, or other benefits to any of the Relevant Customers or the third-party payors to facilitate or encourage the Third-Party Payment Arrangements. The payment and pricing terms and transaction patterns of the customers involving in the Third-party Payment Arrangements did not differ from other customers with direct settlement with our Group in all material respects.

The third-party payors primarily consisted of legal representatives, business partners, individual shareholders, employees, and immediate relatives of the Relevant Customers. Our Directors have confirmed that all third-party payors are independent of our Group and each of our respective Directors, senior management, and shareholders.

Reasons for Utilizing Third-Party Payment Arrangements

During the Track Record Period, the Relevant Customers primarily were small-scale distributors. These customers settled payments with us through third-party payors because they mainly operated their business in a small scale and preferred settlement of payments through bank accounts of the third-party payors for convenience. According to Frost & Sullivan, it is a relatively common practice in the professional skin treatment industry in China for these entities to settle payments through third-party payors to their vendors and service providers primarily because (i) many small-scale distributors typically prefer to use personal bank accounts of shareholders, legal representatives or employees due to the cumbersomeness of using corporate bank accounts; (ii) many small-scale distributors engage their family members as finance managers, whose personal bank accounts usually are used to settle payments; and (iii) it provides cash flow flexibility to use third-party bank accounts given small-scale distributors' limited financial resources if their vendors require payments before product delivery.

As advised by our PRC Legal Advisors, the Third-party Payment Arrangements did not constitute material non-compliance under the applicable laws or regulations in China based on the following: (i) As confirmed by the Company, it ceased all Third-party Payment Arrangements since March 2022. It was not an arrangement to circumvent applicable tax laws and regulations or other applicable laws and regulations in China. All the customer payments previously received under the Third-party Payment Arrangements were duly booked according to the accounting procedures and policies. The Company has fully paid all taxes with respect to the payments received under the Third-party Payment Arrangements according to applicable PRC tax laws and regulations. (ii) The relevant subsidiaries had not been identified for violating any applicable tax laws as a result of the Third-party Payment Arrangements during the Track Record Period, according to the interview conducted with the competent tax authority and tax compliance confirmations. (iii) As confirmed by the Company, the relevant subsidiaries had not been subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangements as of the Latest Practicable Date.

Mitigation measures and cessation of third-party payment arrangements

To secure our interest against risks associated with Third-Party Payment Arrangements, we have implemented a series of mitigation measures. We required the Relevant Customers to communicate with us the relevant information, including, among others, the reasons for the Third-Party Payment Arrangements and the identity of the involved third-party payors. And we required the Relevant Customers to sign a tripartite agreement for the delegation of payment with the third-party payor and us (the "**Agreement**"), or provide us with a letter for delegation of payment (the "**Delegation Letter**"). In the Agreement and the Delegation Letter, it is specified that the Relevant Customer (i) delegates its payment obligation under the terms of the original purchase agreement with us to the respective third-party payor, and (ii) confirms that

the other terms under the original purchase agreement remain unchanged and effective. The Relevant Customers and the third-party payors also undertake in the Agreement that we are released from any disputes which may arise from the Third-Party Payment Arrangements.

We have ceased all Third-Party Payment Arrangements since March 2022. We have also obtained the tripartite confirmation letters (the "**Confirmation Letters**") from the majority of the Relevant Customers and the third-party payor confirming that (i) the Relevant Customer delegated its payment obligation under the terms of the original purchase agreement with us to the respective third-party payor; (ii) the amount listed in the Confirmation Letter was fully paid by the third-party payor to us on behalf of the Relevant Customers; and (iii) we had no disputes arising from the Third-party Payment Arrangements with the Relevant Customers and the third-party payors.

Enhanced Internal Control Measures

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our quality management system. We have also established a Corporate Governance Committee comprising Mr. Yan, Ms. Fang Juan and Mr. Shan Wenhua, which is dedicated to ensuring the adequacy and effectiveness of regulatory compliance procedures and internal control system. See "Directors and Senior Management." To prevent the reoccurrence of and potential risks from the Third-Party Payment Arrangements going forward, we have implemented enhanced internal control measures. For example, with respect to the payment from third-party payors' accounts after our cessation of Third-Party Payment Arrangements, our marketing department will refund and inform the Relevant Customers and third-party payors that such arrangements are no longer accepted. We ship our products only after the payment from our customers' corporate accounts is verified by our finance department.

Our Science- and Knowledge-Driven Branding and Marketing

Our Marketing Philosophy

Our brands are positioned as technology-based beauty brands with products which have been receiving broad recognition among the medical community and the mass consumer market due to their differentiated skincare efficacy. Our science- and knowledge-driven marketing activities are built around this positioning to convey the benefits of bioactive ingredients to consumers, and further increase our brand awareness.

Marketing Channels

We implement our science- and knowledge-driven marketing philosophy through multiple channels, primarily including (i) academic engagements with the medical community and professionals through professional knowledge sharing sessions, (ii) online marketing activities, and (iii) offline marketing activities. We carry out our marketing activities with an aim to communicate with our customers and enhance our brand reputation based on skincare knowledge and the actual efficacies of our products.

Academic Community Engagements

In the recent years, we have been regularly participating in top-tier academic conferences and dermatology industry seminars held by organizations such as the Chinese Medical Association (中華醫學會) and the Chinese Medical Doctor Association (中國醫師協會), which attract well-known dermatologists and dermatology specialists across the nation. We believe participation in such events provides us with access to the latest academic views and insights on skin treatment from the professionals. In these conferences and seminars, we delivered keynote speeches to share our latest R&D results. This enables us to expand our academic reach, enhance our brand awareness, and build our comprehensive network of professional opinion leaders in the academic and medical community.

Online Marketing

We have a dedicated marketing team with strong market insights focusing on the development of marketing campaigns on various e-commerce platforms and social media platforms such as Tmall, JD.com, Xiaohongshu and Douyin. Our marketing team has established a proven marketing evaluation model for measuring the effectiveness and conversion rates of our marketing activities, such as hurdle rate for cost per mille (average cost of one thousand ad impression), cost per engagement and cost per click, and continuously optimizes the online interactions between our customers and us.

Our online brand promotional and advertising campaigns are featured with activities providing customers with professional skincare knowledge and the actual efficacies of our products. For example, we collaborate with professional testing institutions to conduct efficacy tests and safety assessments on our products. Through these results, we communicate with our customers about the reliability and efficacies of our products. We also interact with customers by providing professional skincare knowledge through our unique live streaming matrix, which includes celebrities, cosmetics formula-savvy beauty bloggers, as well as dermatology-focusing influencers. For example, in March 2022, we launched a series of online marketing campaigns under the theme of "skin issues identification office (肌膚問題鑒定司)". We invited skincare specialists to interact with our customers in live streaming sessions regarding their skin issues and the solutions offered by our products, attracting over 260,000 audiences and quickly becoming one of the hot topics on Weibo. Moreover, to promote scientific skin care, we publish scientific periodicals about skin care through the official accounts of *Comfy* and *Collgene* on social media platforms to help our customers find the most suitable skincare solutions while maintaining our customer loyalty.

During the Track Record Period, we collaborated and entered into agreements with MCNs that represent the KOLs with whom we work to further promote our products online. We work with KOLs mainly in two types of marketing activities, namely (i) branding activities which aim to enhance our brand awareness and attract customer traffic, and (ii) sales of our products through live streaming sessions.

The salient terms of our agreements with MCNs with regard to branding activities are set out below:

- *Duration.* The agreement generally has a term ranging from one month to one year.
- *Scope of products.* The agreement specifies the products to be promoted.
- *Cooperating KOL and platform.* The agreement specifies the platform and the account of the KOLs, where our products will be promoted.
- *Contents.* Both parties negotiate the format, length and contents of the promotional video and the time of posting.
- *Pricing.* The agreement generally specifies a fixed amount of service fee, which includes the service fees of the MCN and the expenses of materials used for content creation.

The salient terms of our framework agreements with MCNs with regards to selling activities are set out below:

- *Duration.* The agreement generally has a term of up to 12 months.
- *Live streaming confirmation order.* We generally confirm the date and time of each live streaming session in a separate live streaming confirmation order before each live streaming session.
- *Scope of products.* Each confirmation order specifies the products to be promoted through the live streaming session.
- *Cooperating KOL.* Each confirmation order specifies the KOL who will conduct the live streaming session.
- *Sales price.* Each confirmation order specifies the retail price and the extent of discounts offered during each live streaming session.
- *Pricing.* Each confirmation order specifies the commission rate and the amount of fixed service fees of the MCN (if any).

- *Payment and credit terms.* We generally pay the MCN within a specific period after each live streaming session.

In 2019, 2020, 2021 and the five months ended May 31, 2022, we collaborated with 2, 25, 36 and 40 KOLs, respectively, each of which generated a sale amount of more than RMB100,000, and they are represented by various MCNs to sell our products through live streaming sessions. Our sales amount from our collaborations with the aforesaid KOLs accounted for approximately 95% of total sales amount generated from KOLs during the Track Record Period. During the same periods, our sales amount from our collaborations with KOLs amounted to RMB7.6 million, RMB50.9 million, RMB116.1 million and RMB33.9 million, respectively, which accounted for less than 5% of our total revenue during the same period. We incurred expenses in relation to the engagement of these KOLs during the Track Record Period, which amounted to RMB3.0 million, RMB13.9 million, RMB48.6 million and RMB13.8 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not provide any product for free to the MCNs or the KOLs they represent in exchange for their services. Any non-compliance incidents conducted by the KOLs we cooperated with may have a negative impact on the business parties cooperating with them, including us. See "Risk Factors – Risks Relating to Our Business and Industry – If our employees, distributors, customers, suppliers or other business partners engage in illegal, fraudulent, improper or unethical conduct, such as bribery and corruption, we may be subject to potential liability and negative publicity, and our reputation as well as business could be harmed." We regularly monitor the publicity of KOLs engaged by us and may negotiate with the relevant MCNs to replace any KOL who is found with deterioration of image or misconduct, including, but not limited to, inappropriate speech, unethical behavior or offense against the relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, to our best knowledge and available public information, some of the KOLs, including certain industry-leading ones, that we collaborated with had been under regulatory scrutiny and were suspended from KOL activities. Whilst we are aware of such incidents, there had been no material adverse impact on our business operations and financial performance. We have accordingly reduced our collaborations with these KOLs.

Our marketing activities have effectively enhanced our brand awareness and converted the traffic on e-commerce and social media platforms into our customers. During the annual "6.18" shopping festival launched by Tmall in 2021, there were over 5 million visits to our *Comfy* flagship store on Tmall and the retail sales value reached RMB70 million, which represented an increase of more than 300% from 2020. As of the Latest Practicable Date, our proprietary online stores on multiple e-commerce platforms had more than five million followers, including our official accounts' followers and our online store accounts' subscribers.

Offline Marketing

Offline marketing is an important channel for us to provide our partners and consumers with on-site experience and professional services. We have been holding several "tracing back to the source (溯源)" events where we invite KOLs, professional institutions and media for site visits to our production site to introduce our core technologies and value proposition behind our brands and products. Through their respective fields of influence, we have been able to deliver our efforts and commitments to the technology-based products to the mass market consumers. We also held round table forums for dermatologists and consumers to have in-depth discussions on skincare topics, enhancing our brand awareness among them. In addition, we advocate our products through advertising screens and pop-up stores in shopping malls, and posters at cosmetics store chains such as Watsons, Afiona, and THE COLORIST.

As our business grew, we incurred more selling and distribution expenses. Our selling and distribution expenses have been effectively translated to our sales. Our selling and distribution expenses increased by 68.9% from RMB93.8 million in 2019 to RMB158.4 million in 2020, and further increased by 118.6% to RMB346.2 million in 2021, mainly attributable to our online marketing expenses in relation to our enhanced online marketing activities driven by our business expansion. Our selling and distribution expenses increased by 108.0% from RMB94.2 million in the five months ended May 31, 2021 to RMB195.8 million in the same period in 2022, mainly attributable to the increase in online marketing expenses as driven by our expansion in online direct sales. Meanwhile, our 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. Our revenue increased from RMB520.6 million in the five months ended May 31, 2021 to RMB723.0 million in the same period in 2022. Our selling and distribution expenses accounted for 9.8%, 13.3%, 22.3% and 27.1% of our revenue for 2019, 2020, 2021 and the five months ended May 31, 2022, respectively.

MANUFACTURING

We produce recombinant collagen, rare ginsenosides as well as recombinant collagen-based and rare ginsenosides technology-based products in-house. Leveraging proprietary recombinant collagen and rare ginsenosides manufacturing technologies, our end-to-end manufacturing platform enables us to achieve high product quality, mass production, swift product launches and cost advantages.

We perform routine and preventative maintenance on our manufacturing machinery and equipment to ensure that they function properly at all times and comply with the relevant laws and regulations. During the Track Record Period, we had not experienced any material or prolonged stoppage of production due to equipment failure, and we had not experienced any material accidents during our manufacturing process.

Manufacturing of Recombinant Collagen

Our existing manufacturing facilities for recombinant collagen are located in Xi'an, and are equipped with two sets of fermentation systems, pretreatment system, purification system, freeze-drying system and its supporting extraction equipment and testing equipment and other supporting equipment with an annual production capacity of 10,880 kg. As of the Latest Practicable Date, we had one production line of recombinant collagen and are in the process of constructing new manufacturing facilities in Xi'an with a designed production capacity of 212,500 kg. The expected significant increase in production capacity is in anticipation of the launch of new products in our pipeline. We expect the new manufacturing facilities to commence production in the first half of 2023. See "– Manufacturing – Expansion Plan" for more details.

The following table sets forth our production capacity, production volume and utilization rate of our existing manufacturing facilities for recombinant collagen for the periods indicated:

	For the Year Ended December 31,			For the Five Months Ended May 31,
	2019	2020	2021	2022
	(kg, except the percentages)			
Production capacity[(1)]	10,880	10,880	10,880	4,533
Production volume	7,589.2	7,013.6	9,083.4	4,134.6
Utilization rate[(2)]	69.8%	64.5%	83.5%	91.2%

Notes:

(1) Calculated based on the following assumptions: (i) all product lines are functioning at their full capacity; (ii) our production facilities operate 23 hours per day; (iii) we operate 340 working days per year. According to the Frost & Sullivan Report, our capacity calculation method, including the assumptions used therein, is generally in line with the practice of the relevant industry in China.

(2) Calculated by dividing the production volume for a period by the production capacity of the same period.

The utilization rate of our production facilities for recombinant collagen decreased from 69.8% in 2019 to 64.5% in 2020, mainly because we suspended production for a short period of time due to the impact of the COVID-19 pandemic in 2020. The utilization rate of our production facilities for recombinant collagen increased from 64.5% in 2020 to 83.5% in 2021 and further increased to 91.2% in the five months ended May 31, 2022, mainly as a result of the ramping up of our capacity in response to the increasing production and sales of our recombinant collagen-based products.

According to Frost & Sullivan, we are the first company to achieve mass production of recombinant collagen-based skincare products globally in 2009.

In the China market, companies that achieved mass-production of recombinant collagen-based skincare products in China mainly include (i) our Company, (ii) a publicly listed biotech company that was founded in 2008 and headquartered in Shanxi, China with business focusing on R&D, manufacturing and sales of recombinant collagen-based products, (iii) a medical company that was founded in 2014 and headquartered in Jiangsu, China with business focusing on R&D, production and sales of highly differentiated and patented advanced wound care products and recombinant collagen series from yeasts, (iv) a biotech company that was founded in 2015 and headquartered in Jiangsu, China with business focusing on R&D, manufacturing and sales of recombinant collagen-based products, and (v) a biotech company that was founded in 2009 and headquartered in Guangdong, China with business focusing on R&D, manufacturing and sales of biological products and skincare products. Those major recombinant collagen-based skincare product producers in China launched their products later than our Company.

In the global market, scaled global recombinant collagen producers are noted to produce recombinant collagen mainly for medical use and their recombinant collagen-based product launch time were later than 2010, and no other scaled international companies producing recombinant collagen-based skincare products has been noted. Companies that achieved mass-production of recombinant collagen products in global market mainly include (i) a publicly listed biotech company that was founded in 2004 and headquartered in Israel with business focusing on developing recombinant collagen-based products for tissue regeneration and organ manufacturing, (ii) a publicly listed specialty chemicals company that was founded in 2007 and headquartered in Germany with business focusing on manufacturing specialty chemical products and (iii) a publicly listed biopharmaceutical company that was founded in 1993 and headquartered in the U.S. with business focusing on the discovery, development, and commercialization of therapeutic agents to treat medical needs.

Manufacturing of Rare Ginsenoside

Our manufacturing facilities for rare ginsenoside are located in Xi'an, with an annual production capacity of 630.0 kg. As of the Latest Practicable Date, we had one production line of rare ginsenoside and are equipped with a sterilization reaction kettle, centrifuge, crushers and vacuum drying machine. We are in the process of constructing new manufacturing facilities in Xi'an with a designed production capacity of 267,800 kg. We expect the new manufacturing facilities to commence production in the second half of 2024. See "– Manufacturing – Expansion Plan".

The following table sets forth our production capacity, production volume and utilization rate of our manufacturing facilities for rare ginsenoside for the periods indicated:

	For the Year Ended December 31,			For the Five Months Ended May 31,
	2019	2020	2021	2022
	(kilogram, except for the percentages)			
Production capacity[(1)]	630.0	630.0	630.0	262.5
Production volume	166.0	236.7	524.9	102.6
Utilization rate[(2)]	26.4%	37.6%	83.3%	39.1%

Notes:

(1) Calculated based on the following assumptions: (i) all product lines are functioning at their full capacity; (ii) our production facilities operate 20 hours per day; (iii) we operate 300 working days per year. According to the Frost & Sullivan Report, our capacity calculation method, including the assumptions used therein, is generally in line with the practice of the relevant industry in China.

(2) Calculated by dividing the production volume of a period by the production capacity of the same period.

The utilization rate of our production facilities for rare ginsenoside increased from 26.4% in 2019 to 37.6% in 2020, and further to 83.3% in 2021, mainly as a result of the ramping up of our capacity in response to the increasing demands. The utilization rate of our production facilities for rare ginsenoside subsequently decreased from 83.3% in 2021 to 39.1% in the five months ended May 31, 2022, mainly because we were adjusting the production techniques for rare ginsenoside in the first five months of 2022, thereby affecting its production volume.

According to Frost & Sullivan, we are the first company to mass-produce each of five types of rare ginsenosides, namely Rk3, Rh4, Rk1, Rg5 and CK, at a hundred kilogram-scale with high purity in China. Based on Frost & Sullivan's market research, none of the major manufacturers has the ability to mass produce each of five types of ginsenosides at a hundred kilogram-scale with high purity in China.

Companies that achieved mass-production of rare ginsenosides in China market mainly include (i) a pharmaceutical company that was founded in 2006 and headquartered in Sichuan, China with business focusing on production, customization and production process development of high-purity Chinese medicine chemical components, (ii) a biotech company that was founded in 2008 and headquartered in Jiangsu, China with business focusing on R&D, production and sales of natural plant ingredients extraction products, and (iii) a biotech company that was found in 2010 and headquartered in Zhejiang, China with business focusing on R&D, production and sales of natural plant ingredients extraction products.

Manufacturing of Our Marketed Products

During the Track Record Period, our marketed products primarily include functional skincare products, medical dressings, and functional foods. We schedule the production according to the orders we receive as well as the level of inventories. We make production plans on a daily, weekly and monthly basis. We believe that such manufacturing arrangements enable us to maintain reasonable inventory levels, achieve production efficiency and capture the market demand in an agile and flexible manner.

As of May 31, 2022, we had two manufacturing plants for marketed products in Xi'an. The manufacturing cycle of our functional skincare products ranges from nine to 13 days, the manufacturing cycle of our medical dressings ranges from 11 to 15 days, and the manufacturing cycle of our functional foods ranges from 12 to 13 days. We own all the machinery and equipment used in the manufacturing of our marketed products.

Our manufacturing plants are equipped with 11 production lines for functional skincare products, six production lines for medical dressings, and two production lines for functional foods. Our production lines are highly automated and easy to use to achieve high production efficiency as well as the safety and quality of our products. Our manufacturing facilities for functional foods are capable of producing two types of products, namely capsules and tablets.

The following table sets forth our production capacity, production volume and utilization rate of manufacturing facilities for our marketed products for the periods indicated:

	For the Year Ended December 31,			For the Five Months Ended May 31,
	2019	2020	2021	2022
	(unit, except for the percentages)			
Functional skincare products				
Production capacity[(1)]	32,760,000	45,150,000	55,230,000	28,491,667
Production volume	15,822,388	24,808,491	42,717,475	24,522,480
Utilization rate[(2)]	48.3%	55.0%	77.3%	86.1%
Medical Dressings				
Production capacity[(1)]	44,082,500	43,260,000	57,200,000	28,875,000
Production volume	27,028,120	25,372,567	50,360,732	27,752,802
Utilization rate[(2)]	61.3%	58.7%	88.0%	96.1%
Functional foods				
Production capacity[(1)]	N/A[(3)]	2,100,000	3,150,000	1,312,500
Production volume	N/A[(3)]	146,108	258,392	84,426
Utilization rate[(2)]	N/A[(3)]	7.0%[(4)]	8.2%[(4)]	6.4%

Notes:

(1) Calculated based on the following assumptions: (i) all product lines are functioning at their full capacity; (ii) our production facilities operate seven hours per day; (iii) we operate 300 working days per year. According to the Frost & Sullivan Report, our capacity calculation method, including the assumptions used therein, is generally in line with the practice of the relevant industry in China.

(2) Calculated by dividing production volume for a period by production capacity for the same period.

(3) We commenced production of ginsenosides-based functional foods in-house in 2020 and therefore the data in 2019 is not applicable.

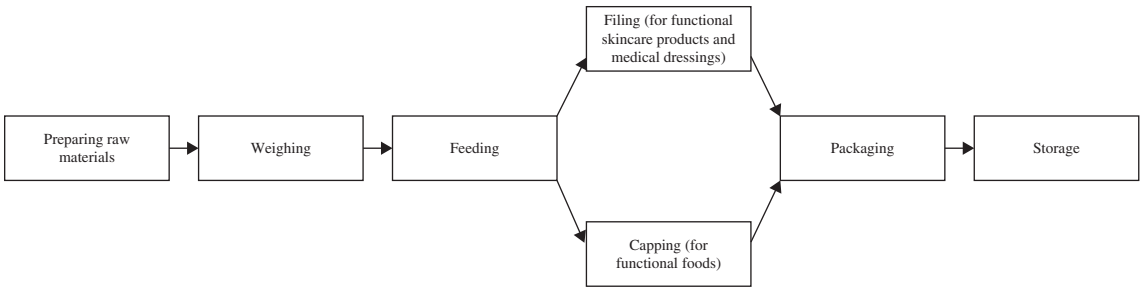
(4) The utilization rates of the production facilities for functional foods were relatively low. We have two production lines for functional foods, the production capacity of which is designed for not only current customers' demands but also our future expansion. We believe such a design is reasonable for our business.

During the Track Record Period, the general increases in the utilization rate of the production facilities for functional skincare products were mainly due to the ramping up of our production capacity in response to the increasing customers' demands.

The utilization rate of production facilities for medical dressings decreased from 61.3% in 2019 to 58.7% in 2020, primarily because our current production facilities for medical dressings were relocated in May 2019. The utilization rate of production facilities for medical dressings increased from 58.7% in 2020 to 88.0% in 2021 and further increased to 96.1% in the five months ended May 31, 2022, mainly due to the ramping up of our production capacity in response to the increasing customers' demands. The utilization rate of production facilities for functional foods remained relatively low at 7.0%, 8.2% and 6.4% in 2020, 2021 and the five months ended May 31, 2022, mainly because this production line specializes in manufacturing products in the capsule form, which currently produces only one product (i.e. Shengan Capsule). We expect the utilization of this product line to increase as we plan to further grow the sales of Shengan Capsule, through increased sales and marketing efforts over time, and develop more products in capsule form.

More broadly, leveraging our proprietary technology and the properties of rare ginsenosides, we are seeking to expand our portfolio of functional foods and launch a new product category in foods for special medical purposes. Functional foods in our pipeline contain not only ginsenosides but also other bioactive ingredients, such as *Panax Notoginseng* and *Angelica*, and the market of the functional foods in our pipeline is expected to be larger than the rare ginsenoside technology-based functional food market. Despite the recent decreases in revenue from the sales of functional foods and others, we intend to increase our investments in product development and expand our product portfolio of functional foods and others. With the launch of new products such as *Panax Notoginseng* and Red Rice Tablets, we expect the revenue from this business segment to increase over time.

The following diagram briefly illustrates the manufacturing process of our marketed products:



- *Preparing raw materials*. We prepare the raw materials (including bioactive ingredients for particular products) based on the principle of "first in, first out", and in accordance with the production instructions. The packages of raw materials are cleaned and disinfected before the raw materials enter the workshop.

- *Weighing*. We collect raw materials from the storage room and weigh them in accordance with the sequence and amounts specified in the production instruction orders.

- *Feeding*. We typically feed the weighed raw materials into the preparation tank or emulsifier according to the sequence and amounts specified in the production instruction orders, and control the feeding process based on the specified parameters.

- *Filling (for functional skincare products and medical dressings) and capping (for functional foods)*. After inspection, the semi-finished skincare products and medical dressings are filled in the inner packaging materials, and the semi-finished functional foods are filled in capsule shells and bottled and capped. This procedure has high standards for a clean environment, and thus the equipment and tools need to be cleaned and disinfected before filling to achieve the warranted level of clean environment. This step is subject to quality inspection.

- *Packaging*. Before mass packaging, the first batch of products is subject to inspections. The packaging process strictly follows the requirements of product packaging procedures, including coding and boxing requirements.

- *Storage*. The finished products need to undergo quality inspection, and only qualified products will be packaged in transit boxes and transported to our warehouse for storage.

Expansion Plan

We believe the bioactive ingredients-based product market is expected to grow as consumer demands for technology-based beauty and health products continue to increase. In order to capture the significant market opportunities, we plan to enhance our production capacity by expanding our production lines. We plan to execute five production capacity expansion plans, including the expansion of two existing manufacturing facilities and the construction of three new manufacturing plants.

We believe that the newly built and expanded manufacturing facilities will significantly enhance the production capacity for the existing products as well as lay a solid foundation for the production of our pipeline products such as skin rejuvenation products and food for special medical purposes. As of the Latest Practicable Date, we expected to further incur a total investment of approximately RMB1,480.8 million for these manufacturing facilities, which will be primarily funded by our internal resources and the net [**REDACTED**] from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**]". The following table set forth certain details of our expansion plans:

Project	Location	Expected/Actual Construction commencement date	Expected construction completion date	Expected designed annual production capacity	Expected capital expenditure
					(RMB in millions)
Expansion of Existing Fermentation Workshop for Recombinant Collagen	Xi'an	June 2021	First half of 2023	212,500 kg of recombinant collagen	33.0
New Science and Technology Park Primarily for Production of Functional Foods and Food for Special Medical Purposes	Fengxi, Shaanxi province	July 2021	First half of 2024	five million units of functional foods and food for special medical purposes	226.3
New Industrial Park Primarily for Production of Medical Dressings, Skin Rejuvenation Products and Biomedical Materials	Xi'an	June 2022	First half of 2024	100.1 million units of medical dressings, skin rejuvenation products and biomedical materials	576.6

Project	Location	Expected/Actual Construction commencement date	Expected construction completion date	Expected designed annual production capacity	Expected capital expenditure
					(RMB in millions)
New Production Workshop for Rare Ginsenosides	Xi'an	Second half of 2022	Second half of 2024	267,800 kg of rare ginsenosides	488.5
Expansion of Workshop for Functional Skincare Products	Xi'an	First half of 2025	Second half of 2026	34 million units of functional skincare products	156.5

SUMMARY OF LAWS AND REGULATIONS RELATED TO OUR PRODUCTS

Having taken into account that (i) as advised by our PRC Legal Advisors, we had obtained all licenses, permits and certificates necessary to conduct our operations in all material respects from the relevant government authorities in China, and we did not have material administrative penalties during the Track Record Period and up to the Latest Practicable Date; and (ii) we obtained compliance certificates from relevant authorities concerning our business operation, our Directors are of the view that our Company had complied with all applicable PRC laws and regulations that affect its business activities during the Track Record Period and up to the Latest Practicable Date in all material respects.

Cosmetics (applicable to our functional skincare products)

The Cosmetics Supervision and Administration Regulations《化妝品監督管理條例》, which was issued by the State Council in June 2020, has made clear the responsibilities of the different parties involved in the operation of cosmetics, and revised the categories of cosmetics. The Measures for the Supervision and Administration of Production and Operation of Cosmetics (《化妝品生產經營監督管理辦法》), which was issued by the SAMR in August 2021, stipulates that any operator engaging in the production of cosmetics within the territory of the PRC shall file an application for a cosmetics production license with the drug supervision and administration department. According to Administrative Measures for Cosmetic Registration《化妝品註冊備案管理辦法》, which was issued by SAMR in January 2021, when applying for the registration of new cosmetic ingredients with anti-corrosion, sun protection, hair dyeing, freckle removing and whitening functions, the application materials shall be submitted in accordance with the requirements of the NMPA. See "Regulatory Overview – Regulations Relating to Cosmetic Products."

Medical Devices (applicable to our medical dressing products)

The Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), as amended by the State Council on February 9, 2021 and became effective on June 1, 2021, regulates entities that engage in the R&D, production, operation, use, supervision and administration of medical devices in the PRC and classifies medical devices according to their risk levels. Pursuant to the Measures for the Administration of Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) promulgated by the SAMR on August 26, 2021 and became effective on October 1, 2021, the medical devices of Class I shall be subject to administration of product filing, while the medical devices of Class II and Class III shall be subject to administration of product registration. According to the Good Clinical Practice for Medical Devices Trials (《醫療器械臨床試驗質量管理規範》), which was amended by the NMPA and the National Health Commission and became effective on May 1, 2022, outlines the procedural requirements for medical device clinical trials, including, among others, protocol design, implementation, monitoring, verification, inspection, and data collection, recording, preservation, analysis, summary and reporting procedure of a clinical trial. See "Regulatory Overview – Regulations Relating to Medical Devices Production and Operation."

Summary of Regulations Relating to Sales of Our Products

We are subject to laws and regulations in relation to sales of our products, including the E-Commerce Law (《電子商務法》), the Measures for the Supervision and Administration of Online Trading (《網絡交易監督管理辦法》), the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the Civil Code of the People's Republic of China (《中華人民共和國民法典》), the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》),the Regulations on Medical Devices (《醫療器械監督管理條例》) and the Interim Administrative Measures for the Review and Management of Advertisements for Drugs, Medical Devices, Functional Foods and Foods for Special Medical Purpose (the "**Measures**") (《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》), and the Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》). Particularly, according to the Measures, governmental approval must be obtained for advertisements relating to medical devices and functional foods before they are published and such advertisements must be true and lawful, not contain any false, exaggerated or misleading information, and must be based on the product instructions in the registration or filing certificate of such product. See "Regulatory Overview – Regulations Relating to Sales of Our Products."

We are of the view that, as advised by our PRC Legal Advisors, the current business model of our Group does not fall into such business of e-commerce platform operators as stated in the E-Commerce Law because: (i) we conduct online sales through online platforms owned

and operated by third parties; and (ii) we do not own or operate any online platform that provides online business premises, transaction matching, information dissemination services for any third parties to facilitate their transaction activities as defined under the E-Commerce Law.

All of our online distributors and Xi'an Chuangkecun are corporate entities, and thus those that operate on e-commerce platforms are by default meet the business entity requirement under the E-Commerce Law (《電子商務法》). However, certain members/business partners of Xi'an Chuangkecun operating on Xi'an Chuangkecun's platforms might not have been registered as individual proprietors as of the Latest Practicable Date. According to the Measures for the Supervision and Administration of Online Trading (《網絡交易監督管理辦法》), E-commerce operators (including individuals engaging in online transactions) shall register as market entities unless otherwise provided in the E-Commerce Law (《電子商務法》), and those individuals who engage in online transaction activities with an accumulated annual transaction amount not exceeding RMB100,000 need not make the registration pursuant to the E-Commerce Law (《電子商務法》).

We are of the view that the failure for some of Xi'an Chuangkecun's members/business partners who engage in online transaction activities on Xi'an Chuangkecun's platforms with an annual transaction amount exceeding RMB100,000 to register as individual proprietors will not have any material adverse impact on its business operation and financial performance.

In addition, based on the confirmation by Xi'an Chuangkecun and our Company, and public search conducted by our PRC Legal Advisors, our PRC Legal Advisors were not aware of Xi'an Chuangkecun having been penalized by any relevant governmental authorities according to the E-commerce Law (《電子商務法》) due to the failure to complete the market entity registration by its members/business partners as of the Latest Practicable Date.

QUALITY MANAGEMENT

Product quality is vital to our business, since any potential quality defect may cause significant risks to customers who applied or consumed our products. As such, we have instituted a comprehensive and stringent quality management system to ensure that we comply with applicable industry and national standards and regulations. We have obtained the cosmetics production license, medical device production license and food production license, and have strictly followed the relevant quality management standards to maintain the high quality of our products. In terms of disinfection products, we obtained a sanitation license for disinfection product manufacturers. We have also received accreditations for our production quality management, including ISO13485 medical devices quality management system, ISO22716 quality management system for skincare products and CFSAN skincare products quality management certifications from US FDA.

Raw Materials

We have established a rigorous procurement and supply system and systematic procurement policies, with which we seek to ensure the integrity of our raw materials and packaging materials. We have developed an evaluation system to evaluate our raw material suppliers. We require them to provide their legal qualifications and product qualification certificates, and only purchase raw materials from qualified suppliers. Our technology department formulates internal control quality standards for raw materials, auxiliary materials and packaging materials, and our quality management department is responsible for the acceptance and inspection of the materials. We will immediately return defective goods to suppliers if we discover any products that do not conform to our internal requirements to prevent any defective goods from entering the process of manufacturing. In addition, we will impose penalties on the suppliers if the defects have any adverse impacts on our sales.

Our raw materials generally have a shelf life of one to two years. We assess the inventory provision regularly. According to the inventory provision policy, certain provision of impairment on inventory will be made based on number of days to the expiry date, when the shelf life is within 12 months to the expiry date. The raw materials will be fully impaired once expired.

Manufacturing

We have implemented comprehensive quality control procedures for our manufacturing activities. Our quality management personnel strictly monitor the process indicators for each manufacturing line and spot-check their implementation. In addition, our technology department is responsible for formulating internal control standards for finished products, semi-finished products and intermediate products according to approved product technical requirements, industry standards, and national standards. Our technology department also regularly conduct sample inspections to ensure the quality of the manufactured products.

As certain materials we use in our manufacturing activities are highly flammable, we are subject to the risk of fire. We have implemented the following measures to prevent accidents related to such materials, which include (i) using non-flammable materials to the extent possible, (ii) training employees on the proper handling of such materials, (iii) formulating and implementing internal measures in relation to the handling of such materials, such as segregated storage, and (iv) implementing incident response mechanism.

Equipment

We have designed a set of internal policies and procedures with respect to our equipment management. Our safety and environment protection department is responsible for formulating equipment maintenance plans, and conducting maintenance according to the plan to ensure that the equipment operates in the best condition. The quality management department, production department and safety and environmental protection department are required to regularly inspect the quality of production and public facilities, and verify the accuracy of our measuring instruments.

Warehousing

Our warehouse management personnel maintain detailed policies over warehouse management. We separate our warehouse into three segments: the finished product warehouse, the raw and auxiliary materials warehouse and the packaging material warehouse, each of which is equipped with the required lighting, ventilation, temperature and humidity. We store materials and products separately according to their properties and uses to prevent mix-up of materials and products to ensure their safety and quality.

Customer Service

We adopt a set of customer service processes to handle and address complaints which, in turn, enhance consumer loyalty and satisfaction. As of the Latest Practicable Date, we had over 40 dedicated customer service representatives, responsible for handling general inquiries and requests from our customers and end consumers, resolving consumer complaints and providing other after-sales services. We provide customer service through our online customer service system, and generally endeavor to provide an initial response promptly. Our customer service representatives also collect and analyze end consumers' feedback to identify areas for improvement.

We give our customer service staff the authority and flexibility needed to adapt instantly to situations, responding with better services and experiences for our customers. For example, if our customer service staff receive complaints about our products and once such complaints are verified, our customer service staff have the authority to rectify any mistake. During the Track Record Period, we received approximately 130 complaints, which mainly related to logistics services, customer enquiries and, to a lesser degree, related to user experience and customer satisfaction of our products. As of the Latest Practicable Date, all of the complaints had been resolved appropriately with relevant customers.

OUR CUSTOMERS

Our customers primarily include individual consumers, e-commerce platforms, hospitals, clinics, pharmacy chains, cosmetic store chains, supermarket chains as well as our distributors. Revenue generated from our largest customers in each period during the Track Record Period amounted to RMB499.3 million, RMB586.9 million, RMB454.5 million and RMB180.7 million, accounting for 52.2%, 49.3%, 29.3% and 25.0%, respectively, of our total revenues during the respective period. Revenue generated from our five largest customers for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 accounted for 58.9%, 55.5%, 38.7% and 38.3%, respectively, of our total revenues during those periods. The composition of our five largest customers was evolving throughout the Track Record Period.

The table below sets forth the details of our five largest customers for the periods indicated:

Customer	Amount of revenue	% of total revenue	Customer type	Major Business	Products Purchased	Domicile	Commencement of business relationship
	(RMB'000)						
Year ended December 31, 2019							
Xi'an Chuangkecun	499,274	52.2	Distributor	The customer engages in the sales of functional skincare products, functional foods and household products	Products under *Collgene*, functional foods and others	Xi'an, Shaanxi province	2015
Customer A	26,541	2.8	Distributor	The customer engages in the online sales of cosmetics, and medical devices	Mainly products under *Comfy*	Xi'an, Shaanxi province	2018
Customer B	15,096	1.6	Distributor	The customer engages in the online sales of medical devices	Products under *Comfy*, *Collgene*, and *Kehen*	Changzhou, Jiangsu province	2018
Customer C	11,958	1.2	Distributor	The customer engages in the sales of medical devices	Products under *Comfy*, *Collgene*, *Kefuping*, *Kehen*, *Keyu* and others	Guangzhou, Guangdong province	2015
Customer D	10,484	1.1	Hospital	The customer engages in the treatment and prevention of illness and diseases	Products under *Comfy*	Chengdu, Sichuan province	2018
Total	563,353	58.9					

Customer	Amount of revenue	% of total revenue	Customer type	Major Business	Products Purchased	Domicile	Commencement of business relationship
	(RMB'000)						
Year ended December 31, 2020							
Xi'an Chuangkecun	586,939	49.3	Distributor	The customer engages in the sales of functional skincare products, functional foods and household products	Products under *Collgene*, functional foods and others	Xi'an, Shaanxi province	2015
Customer E	29,767	2.5	E-commerce platform	The customer engages in the online sales of medical devices, pharmaceutical and healthcare products	Products under *Comfy* and *Kehen*	Beijing	2020
Customer F	20,259	1.7	Distributor	The customer engages in the sales of cosmetics and medical devices	Products under *Comfy*	Chengdu, Sichuan province	2019
Customer G	13,371	1.1	Distributor	The customer engages in the sales of medical devices and cosmetics	Products under *Comfy*, *Collgene*, *Kefuping*, *Kehen*, *Keyu* and others	Chongqing	2017
Customer C	10,955	0.9	Distributor	The customer engages in the sales of medical devices	Products under *Comfy*, *Collgene*, *Kehen*, *Keyu* and others	Guangzhou, Guangdong province	2015
Total	661,291	55.5					
Year ended December 31, 2021							
Xi'an Chuangkecun	454,459	29.3	Distributor	The customer engages in the sales of functional skincare products, functional foods and household products	Products under Collgene, functional foods and others	Xi'an, Shaanxi province	2015
Customer E	63,116	4.1	E-commerce platform	The customer engages in the online sales of medical devices, pharmaceutical and healthcare products	Products under *Comfy* and *Kehen*	Beijing	2020
Customer F	37,097	2.4	Distributor	The customer engages in the sales of cosmetics and medical devices	Products under *Comfy*	Chengdu, Sichuan province	2019
Customer H	24,943	1.6	Distributor	The customer engages in the online sales of medical devices and cosmetics	Products under *Comfy*, *Collgene* and others	Xi'an, Shaanxi province	2020
Customer G	20,590	1.3	Distributor	The customer engages in the sales of medical devices and cosmetics	Products under *Comfy*, *Collgene* and others	Chongqing	2017
Total	600,205	38.7					

Customer	Amount of revenue	% of total revenue	Customer type	Major Business	Products Purchased	Domicile	Commencement of business relationship
	(RMB'000)						
Five months ended May 31, 2022							
Xi'an Chuangkecun	180,745	25.0	Distributor	The customer engages in the sales of functional skincare products, functional foods and household products	Products under Collgene, functional foods and others	Xi'an, Shaanxi province	2015
Customer E	44,555	6.2	E-commerce platform	The customer engages in the online sales of medical devices, pharmaceutical and healthcare products	Products under *Comfy* and *Kehen*	Beijing	2020
Customer I	21,917	3.0	Distributor	The customer engages in the wholesale of medicine and medical devices	Products under *Comfy*	Shenzhen, Guangdong province	2021
Customer F	19,128	2.6	Distributor	The customer engages in the sales of cosmetics and medical devices	Products under *Comfy*	Chengdu, Sichuan province	2019
Customer H	10,651	1.5	Distributor	The customer engages in the online sales of medical devices and cosmetics	Products under *Comfy*, *Collgene* and others	Xi'an, Shaanxi province	2020
Total	276,996	38.3					

We enter into standard sales agreements with our customers. Such agreements usually have a term of one year and are renewable by mutual consent. We do not set minimum purchase requirements for our direct sales customers. Our distributors are required to meet annual and monthly sales targets. See "– Sales, Distribution and Marketing – Sales to Distributors."

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

Our Relationship with Xi'an Chuangkecun

In addition to using e-commerce channels to sell and distribute our products since 2014, we commenced transacting with Xi'an Chuangkecun in 2015. Since its inception in 2015, Xi'an Chuangkecun primarily source and sell functional skincare products, health supplements and household products to customers. We authorized the sales and distribution of selected products to Xi'an Chuangkecun, particularly those under the *Collgene* brand, based on the following consideration: (i) our own commercial judgment, (ii) different products with their respective positioning and sales strategies, and (iii) allocation of resources. This arrangement allowed us to strategically focus on the sales and distribution of other brands and products, such as *Comfy* and other products, which served our best commercial interest. Our business relationship with Xi'an Chuangkecun is mutually beneficial and complementary. We were the largest supplier of Xi'an Chuangkecun during the Track Record Period. Xi'an Chuangkecun solely distributed our products in 2015 and 2016, and began to source and sell products from other suppliers in 2017. Xi'an Chuangkecun mainly purchase our skincare products and functional foods and sell the same through its own sales channels, with *Collgene* and functional food products as leading categories. Our Directors believe that there will not be any material adverse change in the relationship between our Group and Xi'an Chuangkecun in the future, as (i) we have maintained a well-established business relationship with Xi'an Chuangkecun since our cooperation, and Xi'an Chuangkecun made no breach to our cooperation agreements with it, and (ii) Xi'an Chuangkecun had an extensive customer base which is beneficial to our business.

Xi'an Chuangkecun's customers in terms of revenue contribution mainly include VIP members (VIP會員) and, to a lesser degree, business partners (創客) and regular members. Individual customers can register as regular members and are entitled to purchase products at a discount to the retail price of the relevant products as listed on their platform. There are two types of VIP membership, namely 50VIP member and 35VIP member. Individuals may become a 50VIP or 35VIP member by (i) a one-time purchase of a product kit at a discount rate of the retail price or (ii) a cumulative purchase of products with no less than a certain amount in a month or in a year, respectively. The 50VIP and 35 VIP members are entitled to purchase products at their respective discounts to the retail price of the relevant products through the online platforms of Xi'an Chuangkecun. In addition, any individual, including its VIP members, may apply to become a business partner of Xi'an Chuangkecun. Business partners are entitled to purchase and sell the product kits at a prescribed price through the online platforms of Xi'an Chuangkecun. Xi'an Chuangkecun's customers mainly purchase its products for self-use.

Xi'an Chuangkecun monitors the transaction activities on its e-commerce platforms for any abnormal purchasing activity, such as unusual large orders, by its customers in order to prevent potential customer stockpiling. Xi'an Chuangkecun's customers typically make relatively sizable purchases recommended by their family and friends. In contrast, our online direct sales efforts generally target (i) consumers that are accustomed to purchase directly from the stores operated by our Group on established online platforms such that a large portion of them are repeated customers with high repurchasing rate and (ii) consumers that are accustomed to purchase from the online retail platforms of e-commerce platforms with wider selection of international and domestic skincare brands such as JD.com. We believe that diverse sales channels will allow us to capture more end consumers and enhance our sales volume, with limited overlap between the end customers of our online direct sales and platforms operated by Xi'an Chuangkecun due to the differences in user profiles and purchasing behaviors.

Xi'an SAMR issued a written confirmation dated August 13, 2021 stating that the business operation of Xi'an Chuangkecun does not meet the constituent elements of multilevel marketing. In addition, our Company's PRC Legal Advisors, along with the Joint Sponsors, interviewed an officer in Xi'an SAMR, who provided the same view as in the written confirmation dated August 13, 2021. Our PRC Legal Advisors are of the view that (i) such officer is the competent officer of Xi'an SAMR to provide such confirmation, and (ii) the likelihood that his view would be challenged by any higher authorities is relatively remote with the following basis: (a) the aforementioned written confirmation dated August 13, 2021, which is consistent with the views of such officer; (b) the Xi'an SAMR is the competent authority to regulate Xi'an Chuangkecun mainly responsible for supervision and investigation of market activities in Xi'an and is authorized to supervise market misconducts including the multilevel marketing and (c) according to the Regulations on the Provisions on Administrative Penalty Procedures for Market Regulation (市場監督管理行政處罰程序規定), any illegal act committed by an online trading operator selling goods or providing services through its self-established website or other online services shall be subject to the jurisdiction of the market regulatory authority at or above the county level of such operator's domicile, and furthermore any administrative penalty cases within the respective jurisdictions shall generally regulated by the market regulatory departments at the county or city level.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, Xi'an Chuangkecun was among our five largest customers. Our revenue derived from Xi'an Chuangkecun as a percentage of total revenue decreased from 52.2% for the year ended December 31, 2019 to 49.3% for the year ended December 31, 2020, further significantly decreased to 29.3% for the year ended December 31, 2021 and further decreased to 25.0% for the five months ended May 31, 2022. The gross margin of sales to Xi'an Chuangkecun was in line with other distributors throughout the Track Record Period and up to the Latest Practicable Date. In addition, Xi'an Chuangkecun leased from our premise for warehouse purpose from April 2020 to April 2022. During the period of such lease, we implemented a set of warehouse management protocols to ensure the warehouse space leased by, and inventory of, Xi'an Chuangkecun were segregated from our own warehouse space and inventory, such as (i) our and Xi'an Chuangkecun's inventory are stored in designated and

segregated warehouse spaces; (ii) Xi'an Chuangkecun and us took separate entering and exit route when the relevant personnel enter into or leave the warehouse; and (iii) the color of packaging box of our and Xi'an Chuangkecun's inventory were distinctly different and easily identified. Xi'an Chuangkecun also provided logistics services to our Group during the Track Record Period. See Note 32 to the Accountant's Report included in Appendix I to this document. The inventory turnover days of our products held by Xi'an Chuangkecun during the Track Record Period was in line with industry norms, according to Frost & Sullivan. We visit Xi'an Chuangkecun to inspect its inventory levels regularly and at least once a month.

Changes in shareholding of Xi'an Chuangkecun

Mr. Yan, our Co-founder, executive Director, chairman of the Board and chief executive officer, together with Shaanxi Giant Biotechnology, a subsidiary of our Company, were the only shareholders of Xi'an Chuangkecun at the time of its incorporation in 2015. Considering prioritizing time and resources, the relatively low net profit margins of Xi'an Chuangkecun during the period from 2015 to 2017, the competition in the e-commerce industry that Xi'an Chuangkecun was facing at its early stage of development, and substantial investment required to meaningfully grow Xi'an Chuangkecun's revenue and customer base in the near future, Mr. Yan began discussion and negotiations with Mr. Zhang Bing and Mr. Ma Xiaoxuan in relation to the disposal of shareholding interests in Xi'an Chuangkecun in March 2017. At the time of the share transfer in September 2017, Xi'an Chuangkecun had approximately 97,000 paying customers and 80 employees. In 2021, the number of paying customers reached approximately 1.3 million, which included approximately 120,000 VIP members and approximately 1,180,000 regular members. In addition, as of the same date, Xi'an Chuangkecun had approximately 1,700 employees.

Mr. Yan transferred all his equity interests in 80.0% shareholdings of Xi'an Chuangkecun to Mr. Zhang Bing in September 2017 at the consideration of RMB50,000 (the paid-in capital by Mr. Yan at the time), which was paid in September 2017. Mr. Zhang Bing also agreed to assume the responsibility in paying the outstanding registered capital of RMB24.0 million. In November 2021, Mr. Zhang Bing paid an additional amount of RMB6.0 million as registered capital. Mr. Zhang Bing, a shareholder of Xi'an Chuangkecun, was concurrently a director of Xi'an Giant Biogene from September 2009 to May 2020. Before the share transfer, Mr. Zhang's main responsibilities include participating in board meetings, assisting in the formulation of overall business plans and strategies as a member of the board, and exploring potential business development opportunities. After the share transfer, Mr. Zhang Bing had no involvement in the daily business operations of our Group and his role as a director was very limited in consulting with the chairman. In addition, Mr. Zhang was also the chairman of Xi'an Giant Biogene from September 2009 to January 2016, and a shareholder holding 10% equity interest in Xi'an Giant Biogene from April 2015 to August 2019.

Mr. Zhang Bing was acquainted with Mr. Yan and Dr. Fan during their studies in Northwest University. In April 2015, Dr. Fan and Mr. Zhang Bing entered into a share purchase agreement, pursuant to which Dr. Fan should transfer 3 million shares (10% equity interests in Xi'an Giant Biogene) to Mr. Zhang Bing at par value for a consideration of RMB3 million as

part of the incentive for Mr. Zhang Bing to develop potential overseas market for our Group. In addition, it was further agreed that the actual payment of RMB3 million shall be made after Mr. Zhang Bing's successful opening of overseas market for our Group.

In 2015, we were still focusing on domestic market, transitioning *Comfy* into consumer mass market and establishing our domestic online presence, while we viewed the overseas market as an opportunistic extension of our current business in the long run. Given the overseas market was with uncertainty and our limited financial resources were fully allocated to expand domestic business, Mr. Zhang Bing was conditionally incentivized with 10% equity interests in Xi'an Giant Biogene to explore this initiative. At that time, Mr. Zhang Bing, as a director of our Group since 2009, was regarded as an appropriate person to explore this initiative due to (i) his familiarity with our Group, the management and the shareholders; (ii) his foreign language capability; and (iii) his past experience in business development. Given exploring overseas market requires substantial effort and time duration, we considered several years is reasonable period of time to fully explore the potential.

As Mr. Zhang Bing was unable to successfully develop overseas market, it was further agreed that these shares shall be returned to Dr. Fan. In August 2019, Dr. Fan and Mr. Zhang Bing entered into another share purchase agreement, pursuant to which Mr. Zhang Bing transferred 3 million shares back to Dr. Fan. No consideration was paid by either party in relation to the abovementioned share transfers.

Mr. Zhang Bing did not receive any remuneration from our Group as (i) his directorship is non-executive in nature and hence he did not undertake any day-to-day management responsibilities. It was mutually agreed between Mr. Zhang Bing and our Group that he did not take remuneration; (ii) there was no employment relationship between our Group and Mr. Zhang during his directorship with our Group; and (iii) as confirmed by our PRC Legal Advisors, private companies are not mandatorily required to pay remunerations to directors according to applicable PRC laws. Given his role and our status as a private enterprise, he maintained his directorship with our Group until his resignation in May 2020.

Shaanxi Giant Biotechnology transferred all its equity interests in 20.0% shareholdings of Xi'an Chuangkecun to Mr. Ma Xiaoxuan in September 2017 at the consideration of approximately RMB2.2 million (the paid-in capital by Shaanxi Giant Biotechnology at the time), which was paid in October 2017. Mr. Ma Xiaoxuan also agreed to assume the responsibility in paying the outstanding registered capital of approximately RMB3.8 million. In March and May 2018, Mr. Ma Xiaoxuan paid additional amounts of RMB380,000 and RMB400,000, respectively, as registered capital. Mr. Ma Xiaoxuan, a shareholder, director and general manager of Xi'an Chuangkecun, first joined Xi'an Giant Biogene in January 2004. He was the R&D director from January 2004 to December 2008, the vice-president from January 2009 to April 2017, and was a general manager of Xi'an Giant Biogene from May 2017 to May 2019, primarily performed managerial duties following the supervision and instructions of the Board and chairman with a main focus in the business development and expanding our online business presence, and resigned from our Group in May 2019. Mr. Ma Xiaoxuan remained as general manager with Xi'an Giant Biogene at the request of the chairman after the share

transfer, who was occupied with multiple commitments at the time, so as to support the chairman in managerial duties and allow ample time to complete the handover procedures to ensure a smooth transition of duties and responsibilities without any material impact on our Group's business operations. Mr. Zhang Bing and Mr. Ma Xiaoxuan resigned from our Group in order to focus on the business of Xi'an Chuangkecun.

Dr. Fan, Mr. Yan, Mr. Ma, and Mr. Zhang previously pursued separate and small commercial ventures, which were insignificant or dissolved, including the following that became subsidiaries of our Group (i) Xi'an Xingan Biotechnology Co., Ltd, incorporated by Dr. Fan and Mr. Ma, together with other shareholders in 2018, became a wholly-owned subsidiary of Shaanxi Giant Biotechnology in 2020. Mr. Ma transferred all his equity interests in such company to Shaanxi Giant Biotechnology in 2020; and (ii) Xi'an iAskDr Information Technology Co., Ltd., incorporated by Mr. Ma and Shaanxi Giant Biotechnology. Mr. Ma transferred all of his interest in such company to Shaanxi Giant Biotechnology in 2020. Xi'an iAskDr Information Technology Co., Ltd. was disposed by our Group as disclosed in the "History, Reorganization and Corporate Structure" section of the document. Save as disclosed above, to our Company's best knowledge, there was no other active business relationship between (i) our Group and its Controlling Shareholders and (ii) each of Mr. Zhang and Mr. Ma during the Track Record Period and up to the Latest Practicable Date.

The outstanding registered capital of Xi'an Chuangkecun shall be paid up by December 31, 2025 according to the articles of association of Xi'an Chuangkecun. Up to now, the only shareholders of Xi'an Chuangkecun are Mr. Zhang Bing and Mr. Ma Xiaoxuan. As advised by our PRC Legal Advisors, according to the Company Law of the PRC (《中華人民共和國公司法》), such registered capital contribution term can be legally extended upon shareholders' approval. In addition, as advised by our PRC Legal Advisors, according to the Company Law of the PRC (《中華人民共和國公司法》), in the event that any shareholders have failed to pay the outstanding registered capital in accordance with the terms as set forth in the articles of association of a company, in addition to undertaking the capital contribution obligation concerning their outstanding registered capital respectively, the shareholder(s) who have failed to pay the outstanding registered capital shall be liable for breach of contract to other shareholders (if any) who have duly made their capital contributions in full, and furthermore they may be ordered by the relevant governmental authority to make correction and imposed with a fine ranging from 5% to 15% of the amount of the outstanding registered capital by the relevant governmental authority.

Reasons for the Transaction

Mr. Zhang Bing and Mr. Ma Xiaoxuan purchased such equity interests in Xi'an Chuangkecun mainly due to their experience in the skincare industry as well as the interest in building up a young company with substantial ownership. Mr. Ma was the general manager of Xi'an Giant Biogene with main focus in the business development and expanding our Group's online business presence through collaborations with platforms such as Tmall and JD.com. In addition, Mr. Ma was also involved in the business activities of Xi'an Chuangkecun. Mr. Zhang, on the other hand, did not have any direct experience in e-commerce industry, though he was involved in our Group's business strategies such as expanding into the online presence.

In light of their experience in the skincare industry as well as knowledge and interest in e-commerce, they were interested to integrate such experience and explore the promising opportunities in e-commerce industry.

Mr. Zhang Bing and Mr. Ma Xiaoxuan financed the share purchases with their own financial resources. The share transfers were completed with the relevant registrations in September 2017. There was not any side agreement, arrangement or understanding between each of Mr. Zhang and Mr. Ma and our Group (including its shareholders and directors). Further, Mr. Zhang and Mr. Ma were not accustomed to taking instructions from our Company, its subsidiaries, the Directors, the chief executive of our Company, Controlling Shareholders or existing shareholders or any of their respective close associates, in relation to the management and operations of Xi'an Chuangkecun after the share transfer. There was not any customer of Xi'an Chuangkecun who were referred by our Group or previously direct customers of our Group prior to the transfer of the equity interests.

Based on the confirmation by Xi'an Chuangkecun and our Company, and public search conducted by our PRC Legal Advisors, our PRC Legal Advisors are not aware of Xi'an Chuangkecun having had any material resolved or unresolved claims, disputes, litigations or legal proceedings (actual or threatened) since the incorporation of Xi'an Chuangkecun and up to the date of share disposal by Mr. Yan and Shaanxi Giant Biotechnology. In addition, to the best of our knowledge, our Company is not aware that Xi'an Chuangkecun had any material non-compliance incidents since the incorporation of Xi'an Chuangkecun and up to the date of share disposal by Mr. Yan and Shaanxi Giant Biotechnology.

We became aware that there had been certain incidents that shareholder, director and employees of Xi'an Chuangkecun making representation that they were a part of our Group. We brought to such relevant parties' attention to the importance of not being perceived as part of our Group. We understand from Xi'an Chuangkecun that potential causes for such representation may include (i) timing differences between the interviews conducted prior to certain personnel's resignation from our Group and the publication of the media coverage after the resignation from our Group; (ii) misperception of the relevant media given the relevant personnel's employment history with our Group and the resignation from our Group was not publicly announced; and (iii) the relevant personnel did not proactively clarify the role after the resignation from our Group. Going forward, we would closely monitor the representation regarding our Group made by shareholder, director and employees of Xi'an Chuangkecun in any settings. We will require Xi'an Chuangkecun to strictly enforce its internal control policies in connection with the representation regarding our Group by Xi'an Chuangkecun. Based on the confirmation from Xi'an Chuangkecun, it would also closely monitor representation regarding our Group by shareholder, director and employees of Xi'an Chuangkecun in any settings and will strictly enforce its internal control policies in this regard.

We have entered into a standard distributorship agreement with Xi'an Chuangkecun. Our Directors are of the view that the transactions with Xi'an Chuangkecun during the Track Record Period and up to the Latest Practicable Date were conducted on normal commercial terms and the pricing policy adopted for such transactions as well as the contract terms we offered were comparable to those of the similar transactions with other major customers. The credit terms granted to Xi'an Chuangkecun range from seven to 30 days. During the Track Record Period, Xi'an Chuangkecun paid us via bank wire transfer. During the Track Record Period and up to the Latest Practicable Date, we did not have any involvement (e.g. marketing and sales personnel) in the sales of our products by Xi'an Chuangkecun, neither did we provide any incentive or benefit to the end customers for purchasing our products from Xi'an Chuangkecun.

The salient terms of our agreements with Xi'an Chuangkecun are set out below:

- *Duration.* The agreement has a term of one year.

- *Scope of products.* The agreement provides the specific functional skincare products and functional foods to be sold to Xi'an Chuangkecun.

- *Designated distribution area.* Xi'an Chuangkecun is authorized to sell our products through its online platforms. Xi'an Chuangkecun is prohibited to sell our products through other channels without our prior consent.

- *Deposit.* There is no deposit requirement for Xi'an Chuangkecun.

- *Sales and performance targets.* We set annual performance target for Xi'an Chuangkecun. If Xi'an Chuangkecun fails to meet such target, we are entitled to change the types of, and/or reduce the volume of products to be supplied to Xi'an Chuangkecun. Xi'an Chuangkecun has met its annual performance targets in 2019, 2020 and 2021.

- *Pricing policy.* We sell products to Xi'an Chuangkecun at a discount to the recommended retail price. We also provide recommended retail prices to Xi'an Chuangkecun.

- *Payment and credit terms.* We grant a credit period of seven to 30 days to Xi'an Chuangkecun. Xi'an Chuangkecun generally settled its trade receivables with our Group in line with the credit period granted by our Group throughout the Track Record Period.

- *Logistics.* We are responsible for delivering our products to locations mutually agreed by Xi'an Chuangkecun and us.

- *Return and warranty.* We do not accept returns from Xi'an Chuangkecun unless there are product defects. We represent that the products we sell meet the requirements of relevant laws and regulations.

We endeavor to diversify our customer base by expanding direct sales channels as well as our distributor base. We have been enhancing our direct marketing efforts, in particular our online marketing efforts, so as to increase the proportion of our direct sales, and increase our sales to other distributors by launching new product categories to our existing distribution network for them to sell more of our pipeline products. In addition, we will also further expand our distributor base across China, in particular the northwest and south central regions of China and the medical institutions coverage. We believe the revenue contribution from Xi'an Chuangkecun is expected to further decrease in terms of the percentage of our total revenue in the future. According to Frost & Sullivan, the size of the recombinant collagen-based product market in China was RMB10.8 billion in 2021, and is expected to surge from RMB18.5 billion in 2022 to RMB108.3 billion in 2027, at a CAGR of 42.4%. With the tailwind of a rapid growing market and our commitment to diversifying our customer base, we believe that we are well-positioned to reduce the customer concentration in the future. See "Risk Factors – Risks Relating to Our Business and Industry – We depend on our distributors for a large portion of our total revenue, over whom we have limited control, during the Track Record Period, which exposes us to significant concentration risk."

OUR SUPPLIERS

Our suppliers primarily include DTC store operating services providers, construction services providers, packaging materials suppliers and raw materials suppliers. Purchases from our largest supplier in each period during the Track Record Period amounted to RMB28.4 million, RMB28.9 million, RMB25.1 million and RMB28.7 million, accounting for 9.3%, 7.2%, 4.6% and 8.9%, respectively, of our total purchase amount during the respective period. Purchases from our five largest suppliers for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 accounted for 29.2%, 20.5%, 15.8% and 21.5%, respectively, of our total purchase amount during those periods. The composition of our five largest suppliers was evolving throughout the Track Record Period.

The table below sets forth the details of our five largest suppliers for the periods indicated:

Supplier	Amount of purchase	% of total purchase	Supplier type	Major Business	Services/Products Provided	Domicile	Commencement of business relationship
	(RMB'000)						
Year ended December 31, 2019							
Supplier A	28,400	9.3	Construction services provider	The supplier is a land reserve institution, in charge of the urban development in Xi'an-Xianyang New District, Shaanxi province	Land for our production facilities	Xi'an, Shaanxi province	2019
Supplier B	17,561	5.8	Construction services provider	The supplier is a contractor who engages in the provision of construction services	Buildings and construction work	Xi'an, Shaanxi province	2018
Supplier C	16,076	5.3	Construction services provider	The supplier engages in real estate and infrastructure construction, including municipal road construction, street lighting projects, building construction and maintenance	Buildings and construction work	Xi'an, Shaanxi province	2015
Supplier D	13,782	4.5	Packaging materials supplier	The supplier engages in the sales of packaging materials, electronic equipment and machineries	Packaging materials	Shanghai	2014
Supplier E	13,199	4.3	Labor outsourcing services provider	The supplier engages in the provision of labor outsourcing services	Labor outsourcing services	Xi'an, Shaanxi province	2019
Total	89,018	29.2					

Supplier	Amount of purchase	% of total purchase	Supplier type	Major Business	Services/Products Provided	Domicile	Commencement of business relationship
	(RMB'000)						
Year ended December 31, 2020							
Supplier F	28,866	7.2	DTC store operating services provider	The supplier engages in the provision of e-commerce services, including product branding and promotion	Promotion and marketing services	Hangzhou, Zhejiang province	2018
Supplier C	22,148	5.5	Construction services provider	The supplier engages in real estate and infrastructure construction, including municipal road construction, street lighting projects, building construction and maintenance	Building and construction works	Xi'an, Shaanxi province	2015
Supplier D	14,478	3.6	Packaging materials supplier	The supplier engages in the sales of packaging materials, electronic equipment and machineries	Packaging materials	Shanghai	2014
Supplier G	8,989	2.2	Raw materials supplier	The supplier engages in the sales and distribution of raw materials for personal care products	Raw materials	Guangzhou, Guangdong province	2014
Supplier E	8,288	2.1	Labor outsourcing services provider	The supplier engages in the provision of labor outsourcing services	Labor outsourcing services	Xi'an, Shaanxi province	2019
Total	82,769	20.5					

Supplier	Amount of purchase	% of total purchase	Supplier type	Major Business	Services/Products Provided	Domicile	Commencement of business relationship
	(RMB'000)						
Year ended December 31, 2021							
Supplier F	25,068	4.6	DTC store operating services provider	The supplier engages in the provision of e-commerce services, including product branding and promotion	Promotion and marketing services	Hangzhou, Zhejiang province	2018
Supplier C	20,769	3.8	Construction services provider	The supplier engages in real estate and infrastructure construction, including municipal road construction, street lighting projects, building construction and maintenance	Building and construction works	Xi'an, Shaanxi province	2015
Supplier D	15,616	2.8	Packaging materials supplier	The supplier engages in the sales of packaging materials, electronic equipment and machineries	Packaging materials	Shanghai	2014
Supplier H	15,206	2.8	Raw materials supplier	The supplier engages in the production and sales of textile	Raw materials	Guangzhou, Guangdong province	2019
Supplier I	9,980	1.8	Packaging materials supplier	The supplier engages in the manufacturing and sales of pharmaceutical and food packaging materials	Packaging materials	Xi'an, Shaanxi province	2019
Total	86,639	15.8					

Supplier	Amount of purchase	% of total purchase	Supplier type	Major Business	Services/Products Provided	Domicile	Commencement of business relationship
	(RMB'000)						
Five Months Ended May 31, 2022							
Supplier J	28,741	8.9	Construction services provider	The supplier engages in the provision of construction services, including earthworks, municipal infrastructure construction, and fire services infrastructure construction	Building and construction works	Xi'an, Shaanxi province	2021
Supplier K	15,971	4.9	Marketing services provider	The supplier engages in the provision of online marketing services, including product promotion, advertisement placement, and telecom value-added services	Promotion and marketing services	Wuhan, Hubei province	2021
Supplier F	10,914	3.4	DTC store operating and marketing services provider	The supplier engages in the provision of e-commerce services, including product branding and promotion	Promotion and marketing services	Hangzhou, Zhejiang province	2018
Supplier L	7,605	2.4	Raw materials supplier	The supplier engages in the sales and distribution of raw materials for personal care products	Raw materials	Guangzhou, Guangdong province	2014
Supplier G	6,224	1.9	Raw materials supplier	The supplier engages in the sales and distribution of raw materials for personal care products	Raw materials	Guangzhou, Guangdong province	2014
Total	69,455	21.5					

Except service agreements for construction projects which may have a term longer than one year, most of the agreements with our suppliers have a term of no more than one year. According to the agreements with our suppliers, we have the right to terminate in the event of a material breach by our suppliers. Our agreements for construction projects that are longer than one year are governed by PRC law and are legally enforceable. During the Track Record Period and up to the Latest Practicable Date, there was no breach of such agreements.

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

RAW MATERIALS

During the Track Record Period, our marketed products primarily include functional skincare products, medical dressings and functional foods. The principal raw materials for our marketed products include in-house produced recombinant collagen and rare ginsenosides, as well as chemicals and natural ingredients we purchased from third parties.

We produce all recombinant collagen and rare ginsenoside used in our marketed products. The main raw materials for recombinant collagen are glucose, inorganic salts and yeast powder. The purchase price of such raw materials remained generally stable throughout the Track Record Period. The key raw materials for rare ginsenosides are raw ginsenosides which we purchase from reliable and experienced suppliers in China. The purchase price of the different types of raw ginsenoside have remained generally stable throughout the Track Record Period.

We procure most of our other raw materials from well-known suppliers in China. During the Track Record Period and up to the Latest Practicable Date, we had not experienced significant difficulties in maintaining reliable sources of supplies, and we expect to be able to maintain adequate sources of quality supplies in the future. The purchase prices of raw materials for our medical dressings and skincare products, as well as functional foods are all based on market price. As the supplies of the raw materials for our products are highly sufficient, we are able to check the prices with multiple suppliers and purchase from the suppliers with the most favorable terms without increasing the prices of our products. We also pay close attention to the market price and assess the risk of price fluctuations. As the costs of raw materials accounted for only a small percentage of our revenue and we had relatively high gross profit margins, we believe that any fluctuations in raw material prices will unlikely to have a material impact on our profitability. We maintain the flexibility to determine whether to pass such fluctuations to our customers on our own.

INVENTORY MANAGEMENT

Our inventories consist of raw materials and finished goods. As of December 31, 2019, 2020, 2021 and May 31, 2022, we had inventories of RMB50.9 million, RMB64.7 million, RMB89.4 million and RMB84.4 million, respectively. See "Financial Information – Discussion of Major Balance Sheet Items – Current Assets/Liabilities – Inventories."

We typically maintain an inventory level of raw materials based on the customer orders, sales plan and logistics timeline. Our skincare products generally have a shelf life of two to three years, while both our medical dressings and our functional foods generally have a shelf life of two years. We maintain in-house warehousing facilities in Xi'an to meet the needs of our day-to-day operations. We have a dedicated warehouse management team, with three branches for packaging materials, raw materials and finished products, respectively. Our warehouse management team checks our inventory on a daily, monthly, quarterly and yearly basis, and, in addition to our regular inventory checks, also carry out supplementary inventory checks from time to time. We also regularly monitor our raw materials to check their expiry dates and re-inspect the raw materials three months before the expiry dates.

We have optimized our inventory management through the enterprise resources planning system to track the movement of our inventories. The system enables us to monitor inventory levels and view inventory reports on a real-time basis, which in turn helps us maintain optimal inventory levels and improve our efficiency. We have also adopted and implemented certain safekeeping measures such as fire prevention, theft prevention, moisture prevention, pest control and deterioration prevention. Furthermore, we strictly control the temperature and humidity of our warehouse and ensure the tidiness of our warehouse and its surroundings.

DELIVERY AND LOGISTICS

We engage third-party logistic service providers in China for the delivery of our products. Under the direct sales model, we are typically responsible for shipping our products directly to our customers. Under the distributorship model, we typically deliver our products to distributors at their designated place of delivery, who subsequently deliver the products to their respective customers. We generally adopt the same shipping process when shipping to our direct sales customers and our distributors.

In selecting our logistic service providers, we primarily consider factors such as geographic coverage, reliability, customer evaluations, speed and costs of their delivery services. It typically takes three to four days from our customer's submission of orders with us to the delivery to its designated address.

Due to the COVID-19 outbreaks in several provinces for certain periods in 2020 to 2022, precautionary measures were adopted from time to time, which affected our delivery and logistics arrangement. In the first two months of 2020, we experienced a temporary suspension in our delivery and logistics across China. From December 2021 to January 2022, our sales to distributors were adversely affected due to the outbreak in Xi'an, and our customers in Xi'an were unable to receive deliveries in January 2022. From December 2021 to January 2022, our logistics fee rate increased by less than 10% during this period. Due to the quarantine measures of certain major cities in China, we had difficulties in delivering products to Beijing and Shanghai from March to May 2022. The logistics fee rate for Beijing and Shanghai increased by approximately 85% during this period, as we engaged alternative courier service providers of higher charges to fulfill the orders to Beijing and Shanghai. The delays caused by aforementioned logistics constraints resulted in unfulfilled or canceled orders of less than RMB3.0 million. We did not impose any penalty on our logistics partners as a result of such delays.

COMPETITION

We were the second-largest professional skin treatment product company measured by retail sales in China in 2021; the largest collagen-based professional skin treatment product company measured by retail sales in China in each of 2019, 2020 and 2021; the second-largest rare ginsenosides technology-based functional food company by retail sales in China in 2021 with a market share of 24.0%, according to Frost & Sullivan. Our *Collgene* (可麗金) and *Comfy* (可復美) were the third and the fourth best-selling professional skin treatment brands, respectively, in China in terms of retail sales in 2021, according to the same source.

We are competing with incumbent professional skin treatment product manufacturers and functional foods producers as well as new entrants, which include both Chinese domestic brands and international brands. In particular, compared with international brands, we have developed more types of recombinant collagen that can be mass produced and successfully commercialized. We commenced the mass production of recombinant collagen-based skincare products as early as in 2009, ahead of most of the scaled international brands. Moreover, we have achieved higher production efficiency for certain kinds of rare ginsenosides such as CK, and broader applications in areas such as medicine, skincare and functional foods, compared with our international counterparts. In addition, as a Chinese domestic brand, we are closer to Chinese consumers and market trends in China, and are thus nimbler in tailoring our research, product development and marketing to address changing consumer preferences and market trends. Therefore, leveraging our market leadership positions, we believe that we are well-positioned to capture the significant growth opportunities in the bioactive ingredient-based beauty and health product market in China. See "Industry Overview" for more details of the competitive landscape of the industries that we are operating in.

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business, and we devote significant time and resources to their development and protection. We rely on a combination of intellectual property registrations, contractual restrictions, and confidentiality procedures to establish and protect our proprietary technologies, know-how and other intellectual property rights. As of the Latest Practicable Date, we had registered 569 trademarks, 43 patents and 36 pending patent applications in China. Among such patents, (i) 20 registered patents and 12 pending patents have been applied or will be applied to our products containing recombinant collagen, including functional skincare products, medical dressings, skin rejuvenation products and biomedical materials, as well as other products we may develop in the future; (ii) 14 registered patents and 11 pending patent have been applied or will be applied to our products containing ginsenosides, including functional skincare products, functional foods and foods for special medical purposes, as well as other products we may develop in the future; and (iii) nine registered patents and 13 pending patents will be applied to our medical dressings, biomedical materials and foods for special medical purposes, as well as other products we may develop in the future. For detailed information about our material intellectual property, see "Appendix IV – Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights."

We implement a set of comprehensive measures to protect our intellectual property, in addition to making trademark and patent registration applications. Key measures include: (i) establishing a dedicated intellectual properties legal task force to guide, manage, supervise and monitor our daily work regarding intellectual properties, (ii) applying for registration of our intellectual properties before we start our business, (iii) timely registration, filing and application for ownership of our intellectual properties, (iv) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, (v) separating physical areas for technology development areas and business secrets protection areas which are only accessible with authorization under strict visiting rules, and (vi) clearly stating all rights and obligations regarding the ownership and protection of intellectual properties in all employment contracts and commercial contracts we enter into.

In addition, we protect our know-how through timely registration of patents and confidentiality agreements and non-competition agreements with our employees. Despite our efforts, third parties may still obtain and misappropriate our intellectual property or our know-how without authorization. Unauthorized use of our intellectual property and know-how by third parties and the expenses incurred in protecting our intellectual property rights and know-how may adversely affect our business and the results of operations. For details of related risks, see "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to adequately protect our intellectual property rights, which could harm the value of our brands and adversely affect our business."

We strive to ensure compliance with applicable intellectual property laws. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any intellectual property infringement actions brought by third parties that, individually or in the aggregate, would have a material and adverse effect on our business, result of operations and financial condition. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to adequately protect our intellectual property rights, which could harm the value of our brands and adversely affect our business."

DATA PRIVACY AND SECURITY

We implement internal policies to protect the security and confidentiality of personal information that we collect and store in the ordinary course of our business, including customers' social network identity information, address and contact information, which is used for account registration and product delivery, as well as the customers' purchase histories. We highly value the protection of the privacy and personal information of our customers, and also treat and process customers' personal information with high prudence. Such data are stored on our private cloud and sensitive information is desensitized if downloaded. We have not bought any personal data and prohibit anyone from selling such data.

In order to strengthen the management of our database, ensure the normal and effective operation of the database, and ensure the security of the database, we have designated database administrators to carry out the responsibilities of daily maintenance, authority control, security protection and other management of the database. Our IT director is responsible for the authorization and approval of database users. Our IT personnel report data security conditions to senior IT officers on a regular basis, and the senior IT officers report such conditions to the Board of Directors. When selecting cloud service providers, we take into account various factors including the grade of network security protection, the capabilities of preventing distributed denial of service (DDoS) and challenge collapsar (CC) attacks, the size of the Internet platform, as well as the industry norm for the desired protection level.

Database Security Management

We have implemented strict database security management measures. We strictly prohibit anyone from leaking business data from the database. When business data is inquired, an application must be made to the technical director. Any physical access to the database is controlled. We keep every record of database user creation, deletion and change.

Our database administrators check the security configuration of the database system and ensure that it meets the security configuration requirements. In addition, our database administrators are responsible for checking the log of the database system regularly to discover security problems timely. Our database administrators regularly check the system and eliminate existing loopholes in a timely manner.

We have developed a backup strategy for the database system and regularly back up the database system. Our database administrators are responsible for the backup of configuration parameters and related files of the database system. We have adopted various backup methods and strategies according to the system situation and backup content, including full backup, incremental backup, and differential backup.

Furthermore, we have taken multiple measures to prevent and deal with hacker attacks, including protection through both software and hardware such as hardware firewalls and traffic cleaning equipment, timely repair of server vulnerabilities, timely repair of code vulnerabilities such as structured query language (SQL) injection, and prevent cross-site scripting (XSS) attacks and arbitrary file uploads, and improving website application firewall configuration.

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisors have advised that we had obtained all licenses, permits, and certificates necessary to conduct our operations in all material respects from the relevant government authorities in China, and such licenses, permits, and approvals remained in effect as of the Latest Practicable Date.

The following table sets out a list of material licenses, permits, and approvals currently held by us:

License/Permit	Holder	Expiry date
Cosmetics Manufacturing Certificate (化妝品生產許可證)	Xi'an Giant Biogene	October 17, 2026
Medical Device Manufacturing Certificate (醫療器械生產許可證)	Shaanxi Giant Biotechnology	December 20, 2025
Class I Medical Device Manufacturing Filing Certificate (第一類醫療器械生產備案)	Shaanxi Giant Biotechnology	N/A
Class II Medical Device Business Filing Certificate (第二類醫療器械經營備案)	Shaanxi Giant Biotechnology	N/A
Class II Medical Device Business Filing Certificate (第二類醫療器械經營備案)	Xi'an Giant Biogene	N/A
Internet Sales of Medical Devices Filing Certificate (醫療器械網絡銷售備案)	Shaanxi Giant Biotechnology	N/A
Internet Sales of Medical Devices Filing Certificate (醫療器械網絡銷售備案)	Xi'an Giant Biogene	N/A
Qualification Certificate for Drug Information Services on the Internet (互聯網藥品信息服務資格證書)	Shaanxi Giant Biotechnology	August 14, 2023
Domestic Functional Food Filing Certificate (國產保健食品備案)	Xi'an Giant Biogene	N/A
Food Production License (食品生產許可證)	Xi'an Giant Biogene	January 7, 2024
Shaanxi Province Food Operators Filing Form (sales of pre-packaged functional foods only) (陝西省僅銷售預包裝食品經營者備案表)(預包裝(保健食品))	Xi'an Giant Biogene	N/A
Food Business License (for hot foods) (食品經營許可證)(熱食類食品)	Xi'an Giant Biogene	July 29, 2024

License/Permit	Holder	Expiry date
Shaanxi Province Food Operators Filing Form (sales of pre-packaged functional foods only) (陝西省僅銷售預包裝食品經營者備案表)(預包裝(保健食品))	Shaanxi Giant Biotechnology	N/A
Shaanxi Province Food Operators Filing Form (sales of pre-packaged functional foods only) (陝西省僅銷售預包裝食品經營者備案表)(預包裝(保健食品))	Shaanxi Juyou Xingan	N/A
Food Business License (for prepackaged foods and functional foods) (食品經營許可證)(預包裝食品、保健食品)	Shaanxi Giant Teyi	January 6, 2024

Xi'an Giant Biogene has independently developed the product formula, product technology, manufacturing process with respect to Shengan Capsule in 2011 (collectively referred to as the "**Shengan Capsule Technology**"). Xi'an Giant Biogene transferred the Shengan Capsule Technology to Xi'an Jinniu Biological Engineering Co., Ltd. (the "**Xi'an Jinniu**") free of charge. At the time when the Shengan Capsule Technology was first developed, it would take less time for a manufacturer with more experience in producing functional foods to obtain the registration of dietary supplements (國產保健食品註冊證書). Our Group became acquainted with Xi'an Jinniu given its principal business in the R&D and sales of products such as functional foods and prepackaged foods. Xi'an Jinniu and its ultimate beneficial owners are Independent Third Parties. Following the transfer of the Shengan Capsule Technology, Xi'an Jinniu applied for and obtained the functional food approval for Shengan Capsule with the technical support and assistance by Xi'an Giant Biogene. Xi'an Jinniu subsequently exclusively entrusted Xi'an Giant Biogene to manufacture and sell Shengan Capsule after Xi'an Jinniu had obtained the functional food approval. This arrangement with Xi'an Jinniu allowed us to commercialize the Shengan Capsule Technology and launched the Shengan Capsule to market in 2016. Since then, Xi'an Giant Biogene have born all the costs and have retained all the income in relation to the manufacture and sales of Shengan Capsule. In April 2022, we have entered into agreement with Xi'an Jinniu, pursuant to which Xi'an Jinniu agreed to transfer the Shengan Capsule Technology to us free of charge and acknowledged that the ownership and the economic interests of Shengan Capsule belong to our Group. We have also submitted the application for the new functional food approval which has been accepted by the government authority in April 2022. Save for the aforementioned commercial arrangement, there had not been any other past or present relationship (including, without limitation, business, family, trust, employment, shareholding, financing or otherwise) between our Group and Xi'an Jinniu, their respective shareholders, directors or senior management, or any of their respective associates during the Track Record Period and up to the Latest Practicable Date.

Our PRC Legal Advisors conducted an interview with the Division for Supervision and Administration of Special Foods, Shaanxi Administration for Market Regulation (陝西省市場監督管理局特殊食品監管處) in April 2022 and was advised and confirmed that: (i) the arrangements of manufacture and sales of Shengan Capsule between Xi'an Jinniu and us after Xi'an Jinniu obtained the functional food approval does not violate the applicable laws and regulations in China; (ii) our Group can continue to manufacture and sell Shengan Capsule before we obtain the new functional food approval for Shengan Capsule with no violation of

the applicable laws and regulations in China; and (iii) our Group has not been and would not be imposed any administrative penalties under the current arrangement of the manufacture and sales of Shengan Capsule. Our PRC Legal Advisors are of the view that the Division for Supervision and Administration of Special Foods, Shaanxi Administration for Market Regulation (陝西省市場監督管理局特殊食品監管處) is a competent authority to make the aforesaid confirmations.

EMPLOYEES

As of May 31, 2022, we had 839 employees, the majority of whom were based in Xi'an, Shaanxi. The following table sets forth the number of our employees by function as of May 31, 2022:

Function	Number of employees	% of Total
R&D	124	14.8
Manufacturing	306	36.4
Sales and marketing	248	29.6
Administration	161	19.2
Total	**839**	**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 R&D working experiences in medical or cosmetics companies for our R&D team. We evaluate each candidate based on their educational background, professional knowledge, 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 to employees who are responsible for quality controls to ensure that they are competent for their work.

Our employees have formed employee unions. We believe we maintain a good working relationship with our employees, and we had not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

As required under PRC regulations, we participate 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. We enter into employment contracts and agreements regarding confidentiality, intellectual property, and non-competition with our executive officers, managers, and employees.

During the Track Record Period and as of the Latest Practicable Date, we did not make full contributions to the social insurance and housing provident fund for our employees. In addition, certain of our PRC subsidiaries did not register and establish their accounts of social insurance or housing provident fund according to the applicable laws and regulations as no employee was recruited. According to the applicable laws and regulations, the competent government authorities may demand us to take rectification measures. If we fail to take the measures as demanded, we may be subject to fines. See "Risk Factors – Risks Relating to Our Business and Industry – We may be subject to fines for our failure to register for and/or make adequate contributions to social insurance and housing provident fund for our employees as required by the PRC regulations."

Our Directors believe that such an incident would not have a material adverse effect on our business or results of operations, considering that: (i) we had not been subject to any administrative actions, fines or penalties during the Track Record Period and up to the Latest Practicable Date due to such incident; (ii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to register the accounts of social insurance and housing provident fund, pay for the shortfalls or any overdue charges with respect to social insurance and housing funds; (iii) we were neither aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to social insurance and housing funds during the Track Record Period and up to the Latest Practicable Date; (iv) we will register the accounts of social insurance and housing provident fund, make full contributions or pay any shortfall and overdue charges within a prescribed time period if demanded by the relevant government authorities; and (v) we have made financial provision for the shortfalls and any overdue charges with respect to social insurance and housing funds. As advised by our PRC Legal Advisors, considering the aforementioned circumstances, the risk that we would be subject to material administrative penalties by relevant authorities is relatively low. During the Track Record Period, our total provision in relation to the shortfall amount of the social insurance and housing funds contribution was RMB9.3 million. We intend to make full contributions to the social insurance and housing funds as required by the relevant authorities.

We have enhanced our internal control measures. We have designated our human resources department to review and monitor the requirements for the registration of social insurance accounts and housing funds accounts, and the reporting and contributions of social insurance and housing provident fund. We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

PROPERTIES

Our corporate headquarters is located in Xi'an, Shaanxi. As of the Latest Practicable Date, we owned land use rights of six parcels of land in the PRC with land use right certificates, with an aggregate area of approximately 126,372 sq.m., which were primarily used as our manufacturing facilities. As of the Latest Practicable Date, among the six parcels of land we owned, three parcels, with an aggregate site area of approximately 66,017 sq.m., had buildings under construction. See "– Manufacturing – Expansion Plans."

In 2021, we began the construction of our new science and technology park primarily for production of functional foods and foods for special medical purposes on a parcel of land with an aggregate area of approximately 22,612 sq.m. in Xi'an without first obtaining the construction permit as required by applicable laws and regulations. We suspended our construction activities on this parcel of land before we obtained the construction permit in May 2022. As advised by our PRC Legal Advisors, according to the applicable laws and regulations, we may be subject to a fine amounting to 1% to 2% of the value of the construction contract. As of the Latest Practicable Date, we had not received any penalties from the competent government authority.

As of the Latest Practicable Date, we owned two buildings in the PRC with building ownership certificates, with a total gross floor area of approximately 33,411 sq.m. in the PRC, used primarily as manufacturing facilities.

As of May 31, 2022, none of the properties held by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry, including social security for our employees and commercial and compulsory traffic insurance for our vehicles. We maintain food safety liability insurance to protect against the risks in relation to our functional foods. We also purchased safety liability insurance for our production personnel. However, in line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which is not mandatory under PRC laws. Also, we do not maintain keyman life insurance or insurance policies covering damages to our technical infrastructure. During the Track Record Period, we have not made or been the subject of any material insurance claims. Any uninsured occurrence of business disruption, litigation or natural disaster, or

significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. See "Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may be inadequate to protect us from the liabilities we may incur."

AWARDS AND RECOGNITION

We received recognition for the quality and popularity of our business. The following table sets forth some significant awards and recognition related to our Group and our intellectual properties:

Award Year	Award/Certificate	Issuing Organization
National level		
2021	First entity settled in the base of science and technology innovation and transformation (首家入駐科創與轉化基地)	National Clinical Research Center for Dermatologic and Immunologic Diseases
2016	China Patent Gold Award (中國專利獎金獎)	PRC State Intellectual Property Office and World Intellectual Property Organization
2016	China Petroleum and Chemical Industry Federation Award for Technological Invention (中國石油和化工聯合會技術發明獎)	China Petroleum and Chemical Industry Federation
2013	The Second Prize of National Technology Invention Award, 1st Completer (Creation and Application of Human-like Collagen Biomaterials) (類人膠原蛋白生物材料的創製及應用,國家技術發明獎二等獎)	State Council
Provincial or Municipal level		
2021	First Prize, Shaanxi Province Science and Technology (陝西省科學技術一等獎)	Shaanxi Provincial Department of Science and Technology
2021	Key & Core Technological Innovation Demonstration Entity for the Year 2020 (2020年度硬科技創新示範單位)	Administrative Commission of Xi'an Hi-tech Industries Development Zone
2021	Industrial Boutique in Shaanxi (陝西省工業精品) (for *Collgene* Human-like Collagen Safety Repair Spray)	Industry and Information Technology Department of Shaanxi Province
2021	National Key & Core Technology Star Enterprise (全國硬科技企業之星)	Administrative Commission of Xi'an Hi-tech Industries Development Zone

Award Year	Award/Certificate	Issuing Organization
2021, 2020, 2019, 2018	Top 100 Private Enterprises in Xi'an (西安市民營企業100強)	Xi'an Federation of Industry and Commerce
2020	Excellent Enterprise of Advanced Manufacturing Industry for the Year of 2019 (2019年度先進製造業優秀企業)	Administrative Commission of Xi'an Hi-tech Industries Development Zone
2020, 2017	High-tech Enterprises (高新技術企業)	Department of science and technology of Shaanxi Province, Department of Finance of Shaanxi Province, State Taxation Administration of Shaanxi Taxation Bureau, Local Tax Bureau of Shaanxi Province
2020	Outstanding New Product of Shaanxi Province (陝西省優秀新產品)	Industry and Information Technology Department of Shaanxi Province
2019	High-quality Development Star Enterprise for the Year of 2018 (2018年度高質量發展明星企業)	Administrative Commission of Xi'an Hi-tech Industries Development Zone
2018, 2012	First Prize, Shaanxi Province Science and Technology (陝西省科學技術一等獎)	Shaanxi Provincial People's Government
2017, 2009	First Prize, Shaanxi Province Science and Technology for Colleges (陝西省高等學校科學技術一等獎)	Shaanxi Provincial Department of Education
2016	First Prize, Xi'an Science and Technology (西安市科學技術一等獎)	Xi'an Municipal People's Government
2015	"Specialized and New" Medium and Small-sized Enterprise of Shaanxi Province (陝西省"專精特新"中小企業)	Shaanxi Medium and Small-sized Enterprises Promotion Bureau
2013	Private Technological Enterprise of Shaanxi Province (陝西省民營科技企業)	Shaanxi Provincial Department of Science and Technology

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become involved in legal proceedings in the ordinary course of our business. In July 2019, one of our distributors commenced legal proceedings against Shaanxi Giant Biotechnology for a contractual dispute over a distribution agreement dated March 3, 2014, as Shaanxi Giant Biotechnology informed such distributor for early termination in November 2017. The parties amicably reached a settlement of RMB10.0 million in December 2019 having considered potential economic interests foregone by such party from the early termination. In addition, Shaanxi Giant Biotechnology paid the court fees of RMB0.1 million. The contractual rights and obligations under the agreement were terminated and all contractual disputes arising thereof were settled.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

Compliance

We are subject to various regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and up to the Latest Practicable Date, we did not experience any noncompliance incident, which taken as a whole, in the opinion of our Directors, is likely to have a material and adverse effect on our business, financial condition or results of operations.

ENVIRONMENTAL, SAFETY, HEALTH AND SOCIAL MATTERS

We are subject to various health, safety, social and environmental laws and regulations and our operations are regularly inspected by local government authorities. In order to ensure compliance with the relevant environmental and social laws and regulations in the PRC, we have various governance measures in place to oversee the implementation of environmental, social and governance ("**ESG**") related policies, which are set forth in our standard operating procedures.

Our Directors consider 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. We have governance measures in place to monitor and collect ESG-related data for preparing disclosure in compliance with requirements of the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") in Appendix 27 to the Listing Rules, upon the [**REDACTED**] and when appropriate. We have our environmental related policies implemented in the "**Working Environment and Pollution Control Procedures**" (《工作環境和污染控制程式》); social responsibility related policies are implemented in the

"**Safe Production Inspection Rules**" (《安全生產檢查制度》), "**Production Site Safety Management System**" (《生產現場安全管理制度》) and "**Employee Handbook**" (《員工手冊》); and corporate governance policies are applied across our business operations. We have drafted and will establish an ESG policy in accordance with the standards of Appendix 27 to the Listing Rules, which outlines, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) identification of key shareholders and the communication channels with them; (iii) ESG governing structure, (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators, the relevant measurements and mitigating measures. To ensure the effectiveness of our ESG risk management measures and respective internal control systems, our Board is responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG-related risks. In addition, we intend to, among others, identify the material ESG areas, discuss with our key shareholders the material ESG areas identified and discuss among our management to ensure all material ESG areas which are important to business development are reported and comply with the recommendation of the ESG Reporting Guide.

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 [**REDACTED**] and when appropriate, the 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.

We rely on various metrics to measure the impact of material ESG risks, which are broadly aligned with industry standards. Such metrics include the amount of waste gas emissions, amount of waste water generated, employee turnover and board diversity. We have also set various ESG goals to reduce our environmental and social impacts, and we continue to take significant steps towards these targets. For instance, we have established a Nomination Committee to ensure that our Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of our business. The appointment and removal of directors can also only be carried out through a formal, considered and transparent procedure. Further, the board conducts an annual review of ESG reports as part of its key performance indicators ("**KPIs**"). In addition, our synthetic biology approach to manufacture bioactive ingredients-based products is generally viewed as environmentally sustainable method of production, according to Frost & Sullivan.

Environmental Matters

We endeavor to minimize any adverse impact on the environment resulting from our business activities. During the Track Record Period and up to the Latest Practicable Date, we had been in compliance with environmental laws and regulations applicable to our operations in all material respects and there had been no material claim or penalty imposed on us as a result of a violation of environmental laws and regulations that would materially and adversely affect our business, financial condition or results of operations. We incurred environmental compliance costs of RMB661.6 thousand, RMB632.8 thousand, RMB647.3 thousand and RMB407.8 thousand in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. We do not expect our environmental compliance costs to increase significantly in the near future.

To ensure our production is compliant with applicable environmental protection laws and regulations, we have assigned various departments the duty of environmental protection implementation and management, such as closely monitoring the change of local environmental laws and regulations and updating relevant internal production requirements accordingly, regularly monitoring and keeping track of the resources consumptions and environmental risks and impacts during the production process, and enhancing our employees' environmental protection awareness by education and training.

Emissions

The major emissions produced in our business activities include production and domestic wastewater, as well as exhaust gases. For the year ended December 31, 2021 and the five months ended May 31, 2022, we emitted approximately 8,900 and 4,279 cubic meters of wastewater, respectively.

In order to comply with the relevant environmental laws and regulations, we have adopted various measures to manage our emissions. We have established a special wastewater processing system to make sure that the processed water meets the governmental emission requirement. We intend to construct an additional wastewater treatment facility, which is expected to be operational in December 2023 and enhance our wastewater treatment capacity by approximately 30 tonnes per day. Such treated water can be reused in our operations. We also have utilized purifiers to break down the volatile organic compounds in the exhaust gases. Furthermore, to prevent the spread of bacteria and microorganisms during fermentation, we place filters at both the intake and exhaust ports of the fermentation tank which is sealed, and take bacteria inactivation measures before discharging fermentation waste liquid. We engage third-party agencies to monitor our emissions and issue emission monitoring reports every month.

Use of Energy and Water

Our resource consumption principally comprises gas consumption, energy consumption and water consumption to support our business operations, including production facilities, warehouses and offices. For the year ended December 31, 2021, we consumed approximately 252,532 cubic meters of gas with an intensity of approximately 163 cubic meters per RMB million revenue, and approximately 3,686,250 kWh of electricity with an intensity of approximately 2,374 kWh per RMB million revenue. During the same period, we also consumed approximately 55,361 cubic meters of water, with an intensity of approximately 36 cubic meters per RMB million revenue. For the five months ended May 31, 2022, we consumed approximately 143,382 cubic meters of gas with an intensity of approximately 198 cubic meters per RMB million revenue, and approximately 1,593,050 kWh of electricity with an intensity of approximately 2,203 kWh per RMB million revenue. During the same period, we also consumed approximately 25,531 cubic meters of water, with an intensity of approximately 35 cubic meters per RMB million revenue. We will make continuous efforts in working toward the target of reducing the level of our average annual energy consumption and water consumption per revenue over the next three years.

Climate-related Risks

Potential physical risks can arise from extreme weather events such as flooding and typhoons. Our assets may be subject to the risk of flooding that could result in direct damage to our assets. We have backed up our information and data by storing them in a server-based storage system, which in turn minimizes the potential impact of disruptive climate events and their potential impact on our business.

We have established and put in place various measures to mitigate and manage the risks from environmental, social and climate-related issues. We will conduct an enterprise risk assessment at least once a year to cover the current and potential risks that arose in our business including, but not limited to, the risks arising from the ESG aspects and strategic risks around disruptive forces such as climate change. Our Board will assess or engage qualified independent third parties to evaluate the risks and review our existing strategy, targets and internal control, and necessary improvements will be implemented to mitigate such risks.

Health and Work Safety

Our safety production management team consists of multiple departments and persons in charge across our Group. We have incorporated into our employee handbooks certain safety guidelines where, for instance, accidents arise. And strict compliance with the handbook is compulsory. We have arranged occupational health examinations for new employees. Each of our employees also signed a safety production responsibility letter to get familiar with their safety production responsibilities. We have also conducted company-level, department-level and team-level safety production training and helped our employees to obtain knowledge of relevant laws and regulations as well as our safety rules. We encourage our employees to get familiar with our safety evacuation exits and obtain the basic knowledge of fire safety and safety operation rules and organize emergency practice drills on a regular basis.

We have developed occupational health monitoring files, distributed protective equipment for employees involved in occupational hazard factors and supervised their use of such equipment. We check our equipment on a regular basis to ensure that they are in a safe condition. In November 2020, we completed a danger investigation and carried out a risk assessment. We also carry out regular and special safety inspections to prevent safety accidents.

In the event of an accident, we will investigate the accident, prepare a report to the management and take corrective actions effectively. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant incidents or accidents in relation to workers' safety.

Green Packaging

We are constantly searching for ways to minimize the environmental impact of our products. We have sought to implement green packaging initiatives for our products. Eco-friendly packaging solutions use materials and manufacturing techniques which in turn allow us to reduce the carbon footprint of our business activities.

Social Responsibilities

In respect of social responsibilities, we are committed to offering a fair and caring working environment to our employees. We have transparent policies on compensation and dismissal, equal opportunities and anti-discrimination. We hire employees based on their merits and it is our corporate policy to offer equal opportunities and fair compensations to our employees. For the next three years, we intend to provide recruitment opportunities of over 100 positions every year, which include those for candidates with disabilities. As of the Latest Practicable Date, over 50% of our senior management were females, and we strive to maintain such proportion in the foreseeable future. We encourage our employees who encounter any discrimination to seek immediate assistance, which also allows us to conduct timely investigation and follow up as needed. In addition, we provide training programs on industry and regulatory developments to our employees.

In addition, we take active steps to ensure that our employees feel valued and respected. We recruit, support and promote people with diverse experiences and backgrounds in executive or managerial position, as we believe that inclusive recruitment practices are critical in fostering a healthy and conducive work environment. We constantly review our recruitment policies to ensure that prospective candidates are selected fairly, and that they are given equal opportunities to succeed and grow. This is supported by our talent management system, which provides employees with a platform to participate in vocational qualification and certification training, so as to continuously improve and develop themselves professionally. We also implement a share incentive plan which rewards employees based on sales, profit and other performance indicators (including senior management).

We also aim to launch a holistic programme for employees aimed at educating, supporting and empowering employees to take charge of their own physical and mental well-being. This will involve interactive sessions and seminars to optimise their health and resilience, as well as to manage stress in the workplace. During the pandemic, we also organized various community outreach activities targeted at raising awareness of mental health and addressing the stigma surrounding it.

We are committed to contributing to various charitable causes, with a special focus on hospitals in which we can leverage our resources and expertise. For instance, since 2018, we have made several donations in cash and household goods in Shaanxi to support poverty alleviation activities. On May 25, 2020, the national skincare day, we, together with the Dermatologist Branch of the PRC Medical Doctor Association, held a public welfare event by arranging free clinics with face-to-face and one-on-one consultations, in more than 550 public hospitals across the country. As part of the public welfare event, we also gifted participants products under *Collgene*, *Comfy* and *Keyu*.

In March 2022, we donated our products worth RMB5.7 million to people working for the prevention and control of the COVID-19 pandemic in Shaanxi to help them solve skin issues that resulted from the extended use of face masks and protective clothing.

We truly appreciate the services of our employees, and care about their well-being. To that end, we offer employee benefits such as housing allowances, vehicle allowances, cultural and social events, and holiday and birthday gifts.

Some of our skincare products, Class II medical devices, functional foods and Class III pipeline medical devices have been tested on animals by third parties engaged by us for the toxicology tests as required by relevant PRC laws and regulations in order to obtain the relevant product approvals or filing certificates. We adopt stringent selection criteria in relation to our business partners and vendors, particularly when it comes to protecting animal welfare. We are acutely aware of the cruelties surrounding indiscriminate animal testing in cosmetics, and we exercise great caution in ensuring that any animal testing is done in strictly controlled environments, and that, as part of our vendor selection process, third parties we engage should obtain the full suite of licenses and credentials and should be suitably qualified with dedicated professionals, quality laboratories and equipment, and stringent animal testing protocols to conduct such tests in as humane a manner as possible. We also regularly check with the testing centers to ensure that their relevant licenses have not expired. As of the Latest Practicable Date, we had complied with the relevant PRC laws and regulations with respect to animal experiment in all material respects.

Therefore, ESG goals remain a key consideration in our business operations. We continuously evaluate our actions and impact on the environment, and carefully monitor the resources we consume and the supply chains we work with. It is our priority to keep adding new dimensions to our ESG framework and strategy, so that we can achieve long-term, sustainable growth for the benefit of our Shareholders and for wider society.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are exposed to various risks during our operation. Key operational risks faced by us include, among others, changes in the regulatory environment in China, our ability to offer quality products, safe production, and competition from other market players. See "Risk Factors." In addition, we face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. See "Financial Information – Disclosures about Financial Risks."

In order to address these risks, we have established, and currently maintain, risk management and internal control systems consisting of policies and procedures that we consider appropriate for our business operations. We are dedicated to continually improving these systems.

From an operational standpoint, we continually identify and evaluate risks relating to our operations, such as the risk to our plants, general operational layout, transportation, buildings, production technology, logistics, main equipment, operating environment, quality management, safety management, and all personnel who enter into our plants, and to formulate our risk control measures accordingly. We also have various methods to identify our major potential hazards, including, but not limited to, events that may occur during the course of our 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.

Our analysis methods include work safety analysis, field experience analysis, a safety checklist and exposure likelihood and consequences analysis. Our 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.

Our 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. We conduct identification and evaluation of risk factors and review the effectiveness of identification, risk evaluation and control measures once a year to improve the relevant risk management system. Our departments also consider whether to include establishing occupational health and safety goals and indicators into the KPIs for our management from time to time depending on the situation, such as the need to implement or replace certain major risks.

We generally update the risk evaluation and corresponding control measures according to the development of production, operations and management. We timely update 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.

Internal Control

We have designated responsible personnel in our Group to monitor our ongoing compliance by us with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our 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. We offer onboard training to our new employees and continuing training to our existing employees to enhance their knowledge and awareness of the relevant policies and regulations. We also discuss the latest regulatory requirements in China with external legal counsel.

Anti-Corruption and Bribery

We have adopted a set of internal rules and policies governing the conduct of our employees. We have placed anti-bribery and anti-corruption clauses in our employees' handbooks to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. In particular, the clauses stipulate that our employees 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 our products. We also include anti-bribery and anti-corruption clauses in our business contracts, confidential and non-competition agreements with our Directors and senior management, key technology personnel, and other key personnel. Furthermore, we include anti-bribery requirements in our sales management policies, which explicitly prohibit our sales personnel from offering or accepting bribery (including any form of kickbacks and rebates that may constitute bribery) to or from any customers, and prohibit our distributors from offering bribery to medical institutions, doctors and their other customers.

False Advertising and Efficacy-related Misrepresentations

We have also adopted measures to mitigate the risks relating to false advertising and efficacy-related misrepresentations. We have established an internal system relating to the compliance of our advertising activities. Before the publication of our advertising and marketing content, such content must be reviewed by the dedicated officers of our marketing and legal functions, 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, our branding director and legal director regularly monitor and from time to time spot-check our marketing and advertising activities every week in order to prevent false advertising. Once the non-compliance issue is identified, the relevant advertising and marketing content would be removed from the relevant channels. Moreover, we consult with external legal counsel to evaluate any promulgated or proposed regulations. We regularly organize online and offline trainings for our employees in the relevant PRC laws regarding advertising, e-commerce, and unfair competition.

Supervision of Audit Committee

In addition, we have established an audit committee to review and supervise the financial reporting process and internal control system, as well as a corporate governance committee which is dedicated to ensuring the adequacy and effectiveness of regulatory compliance procedures and internal control system. See "Directors and Senior Management" for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee and corporate governance committee.

OVERVIEW

Upon [**REDACTED**], our Board will consist of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible for, and has the general authority of, the management and operation of the Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

DIRECTORS

The following table provides key information about our Directors:

Name	Age	Position	Major duties	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Executive Directors						
Mr. Yan Jianya (嚴建亞)	55	Chairman of the Board, executive Director and chief executive officer	Responsible for overall strategy management and development, business planning and overall operation of our Group	May 8, 2000	November 30, 2021	Spouse of Dr. Fan Father of Ms. Yan Yubo Brother of Ms. Yan Yajuan
Dr. Fan Daidi (范代娣)	56	Executive Director and chief scientific officer	Responsible for technology research and development of our Group	May 8, 2000	July 28, 2021	Spouse of Mr. Yan Mother of Ms. Yan Yubo Sister-in-law of Ms. Yan Yajuan
Ms. Ye Juan (葉娟)	51	Executive Director and senior vice president	Responsible for the management of clinical project, procurement and human resource of our Group	April 18, 2016	November 30, 2021	None
Ms. Fang Juan (方娟)	49	Executive Director and senior vice president	Responsible for the sales channel management of our Group	December 13, 2000	November 30, 2021	None

Name	Age	Position	Major duties	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Non-executive Director						
Mr. Chen Jinhao (陳錦浩)	41	Non-executive Director	Providing guidance on the overall development and strategy formulation of our Group	November 30, 2021	November 30, 2021	None
Independent Non-executive Directors						
Mr. Huang Jin (黃進)	63	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Group	April 21, 2022	April 21, 2022*Note*	None
Mr. Shan Wenhua (單文華)	52	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Group	April 21, 2022	April 21, 2022*Note*	None
Ms. Wong Sze Wing (黃斯穎)	43	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Group	April 21, 2022	April 21, 2022*Note*	None

Note: The appointment of the independent non-executive Directors took effect on October 6, 2022.

Executive Directors

Mr. Yan Jianya (嚴建亞), aged 55, is an executive Director, the chairman of the Board and the chief executive officer of our 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 has been awarded the following awards in recognition of his achievements:

Award	Awarding Authority	Date of Award
Top Ten Science and Technology Entrepreneurs in Xi'an (西安市十佳科技企業家)	Xi'an People's Government	April 2018
Outstanding Private Entrepreneur of the 40th Anniversary of Reform and Opening Up (改革開放40周年優秀民營企業家)	Xi'an Municipal Committee, Xi'an People's Government	November 2018

Award	Awarding Authority	Date of Award
Outstanding Private Entrepreneur of Shaanxi Province (陝西省優秀民營企業家)	General Office of the Shaanxi Provincial Committee (中共陝西省委辦公廳), General Office of the People's Government of Shaanxi Province (陝西省人民政府辦公廳)	December 2018
Science and Technology Innovation and Entrepreneurship Talent of Shaanxi Province (陝西省科技創新創業人才)	Shaanxi Provincial Department of Science and Technology (陝西省科學技術廳)	November 2021

On June 23, 2017, the National Equities Exchange and Quotations System Co. Ltd. ("**NEEQ**") issued a warning letter against Triangle Defense, as well as its chairman of the board Mr. Yan and secretary of the board, due to its failure to publish its 2016 Annual Report within the statutory timeframe before April 30, 2017, which is in breach of the relevant PRC securities rules and regulations (the "**Triangle Defense's Incident**"). Prior to the issue of such warning letter, on April 5, 2017, Triangle Defense published an announcement stating that its trading on NEEQ was suspended due to its proposed IPO on the ChiNext Market of Shenzhen Stock Exchange. On April 20, 2017, Triangle Defense promulgated an indicative announcement to notify NEEQ and its investors that the disclosure of its 2016 Annual Report was expected to be delayed to May 2017. Subsequently on May 17, 2017, Triangle Defense released its 2016 Annual Report. In response to NEEQ's warning letter dated June 23, 2017 with respect to the Triangle Defense's Incident, on June 27, 2017, Triangle Defense published another announcement, stating that the Triangle Defense's Incident was due to the reason that Triangle Defense was in the process of an IPO on the ChiNext Market of Shenzhen Stock Exchange and additional time was needed to prepare its financial statements as included in the 2016 Annual Report. The Board is of the view that the Triangle Defense's Incident would not affect the suitability of Mr. Yan as the Director of the Company as such incident did not involve any dishonesty of Mr. Yan and accordingly shall not impair his character, industry experience and integrity as required under Rules 3.08 and 3.09 of the Listing Rules.

Dr. Fan Daidi (范代娣), aged 56, is an executive Director and the chief scientific officer of our 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:

Institution	Role	Term
School of Chemical Engineering of Northwest University (西北大學化工學院)	Dean	July 2021 to present
National Local Joint Engineering Research Center for Biomaterials (生物材料國家地方聯合工程研究中心)	Director	July 2012 to present
Academic Committee of Northwest University (西北大學學術委員會)	Vice director	December 2017 to present
Institute of Biomedical Research of Northwest University (西北大學生物醫藥研究院)	Dean	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 has also received, among others, the following awards in recognition of her achievements:

Award	Awarding Authority	Date of Award
Second Prize of National Technology Invention Award as Inventor (Creation and Application of Human-like Collagen Biomaterials) (類人膠原蛋白生物材料的創製及應用,國家技術發明獎二等獎,發明人)	State Council	December 2013
China Patent Gold Award as Inventor (A class of human-like collagen and its production method) (一種類人膠原蛋白及其生產方法,中國專利獎金獎,發明人)	PRC State Intellectual Property Office (國家知識產權局) and World Intellectual Property Organization	December 2016
National Innovation and Pioneer Award (全國創新爭先獎)	Ministry of Human Resources and Social Security of the PRC, China Association for Science and Technology (中國科學技術協會), Ministry of Science and Technology of the PRC, State-owned Assets Supervision and Administration Commission of the State Council	May 2017
Highest Science and Technology Award of Shaanxi Province for the year 2020 (2020年陝西省最高科學技術獎)	People's Government of Shaanxi Province	March 2021

Ms. Ye Juan (葉娟), aged 51, is 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 (方娟), aged 49, is an executive Director and a senior vice president of our 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.

Non-executive Director

Mr. Chen Jinhao (陳錦浩), aged 41, is a non-executive Director.

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 (上海鎔平企業管理有限合夥企業(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 (天津熔肽企業管理有限合夥企業(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有限合夥企業(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.

Independent Non-executive Directors

Mr. Huang Jin (黃進), aged 63, was appointed as an independent non-executive Director on April 21, 2022, with effect on October 6, 2022.

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 Chinese Society for Private International Law (中國國際私法學會) since 2003. He is currently a professor of the School of Comprehensively Administering the Country According to 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 (單文華), aged 52, was appointed as an independent non-executive Director on April 21, 2022, with effect on October 6, 2022.

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 a 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 China Social Science Evaluation Center 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.

Ms. Wong Sze Wing (黃斯穎), aged 43, was appointed as an independent non-executive Director on April 21, 2022, with effect on October 6, 2022.

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 and 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 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.

Save as disclosed above, none of our Directors held any directorship in public companies, the securities of which are listed on any security market in Hong Kong or overseas in the last three years immediately preceding the date of this document. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table provides key information about the senior management of our Company:

Name	Age	Position	Major duties	Date of joining our Group	Date of appointment as senior management	Relationship with other Directors and senior management
Mr. Yan Jianya (嚴建亞)	55	Chairman of the Board, executive Director and chief executive officer	Responsible for overall strategy management and development, business planning and overall operation of our Group	May 8, 2000	April 21, 2022	Spouse of Dr. Fan Father of Ms. Yan Yubo Brother of Ms. Yan Yajuan
Dr. Fan Daidi (范代娣)	56	Executive Director and chief scientific officer	Responsible for technology research and development of our Group	May 8, 2000	April 21, 2022	Spouse of Mr. Yan Mother of Ms. Yan Yubo Sister-in-law of Ms. Yan Yajuan
Ms. Ye Juan (葉娟)	51	Executive Director and senior vice president	Responsible for the management of clinical project, procurement and human resource of our Group	April 18, 2016	April 21, 2022	None
Ms. Fang Juan (方娟)	49	Executive Director and senior vice president	Responsible for the sales channel management of our Group	December 13, 2000	April 21, 2022	None

Name	Age	Position	Major duties	Date of joining our Group	Date of appointment as senior management	Relationship with other Directors and senior management
Ms. Zhang Huijuan (張慧娟)	35	Chief financial officer	Responsible for the accounting, finance management and taxation affairs of our Group	January 1, 2022	April 21, 2022	None
Ms. Yan Yubo (嚴鈺博)	26	Joint company secretary and board secretary	Responsible for the Group's financing, investor relationship management and corporate governance related work	October 1, 2018	April 21, 2022	Daughter of Mr. Yan and Dr. Fan Niece of Ms. Yan Yajuan
Mr. Duan Zhiguang (段志廣)	41	Senior vice president	Responsible for providing professional guidance and advice relating to the technology research and development of our Group	February 2, 2012	April 21, 2022	None
Ms. Yan Yajuan (嚴亞娟)	53	Senior vice president	Responsible for the overall production and quality control management of our Group	March 1, 2007	April 21, 2022	Sister of Mr. Yan Sister-in-law of Dr. Fan Aunt of Ms. Yan Yubo

Mr. Yan Jianya (嚴建亞)

Please refer to "Executive Directors – Mr. Yan Jianya" above for further details.

Dr. Fan Daidi (范代娣)

Please refer to "Executive Directors – Dr. Fan Daidi" above for further details.

Ms. Ye Juan (葉娟)

Please refer to "Executive Directors – Ms. Ye Juan" above for further details.

Ms. Fang Juan (方娟)

Please refer to "Executive Directors – Ms. Fang Juan" above for further details.

Ms. Zhang Huijuan (張慧娟), aged 35, 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) 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 (嚴鈺博), aged 26, 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.

Mr. Duan Zhiguang (段志廣), 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 Science and Technology Award for 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 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 (嚴亞娟), 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.

JOINT COMPANY SECRETARIES

Ms. Yan Yubo (嚴鈺博) was appointed as a joint company secretary of our Company on April 21, 2022. Please refer to "Senior Management – Ms. Yan Yubo" above for further details.

Ms. Yiu Suk Han (姚淑嫻) was appointed as a joint company secretary of our Company on April 21, 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.

BOARD COMMITTEES

Our 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

We have established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and related internal control systems of our Group, review the financial information of our Group and consider issues relating to the external auditors and their appointment. The Audit Committee comprises Ms. Wong Sze Wing, Mr. Huang Jin and Mr. Shan Wenhua, each of whom is our 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.

Nomination Committee

We have established a nomination committee (the "**Nomination Committee**") in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, the primary duties of which are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors, and make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors. The Nomination Committee comprises Mr. Yan, Mr. Huang Jin and Mr. Shan Wenhua. Mr. Yan currently serves as the chairman of the Nomination Committee.

Remuneration Committee

We have established a remuneration committee (the "**Remuneration Committee**") in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on our Group's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal transparent procedure for development remuneration policy. The Remuneration Committee comprises Mr. Shan Wenhua, Mr. Yan and Ms. Wong Sze Wing. Mr. Shan Wenhua currently serves as the chairman of the Remuneration Committee.

Corporate Governance Committee

We have established a corporate governance committee (the "**Corporate Governance Committee**") with written terms of reference. The primary duties of the Corporate Governance Committee are to ensure compliance with the matters related to the environmental protection, social responsibility and corporate governance of the Company as well as the adequacy and effectiveness of regulatory compliance procedures and related internal control system. The Corporate governance Committee comprises Mr. Yan, Ms. Fang Juan and Mr. Shan Wenhua. Mr. Yan currently serves as the chairman of the Corporate Governance Committee.

COMPETING INTEREST

As of the Latest Practicable Date, none of our Directors or any of their respective associates had interests in any other companies as at the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our 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. Independent non-executive Directors also receive compensation according to their duties (including serving as members or chairperson of the board committees).

The aggregate amount of remuneration incurred for our Directors in respect of the three years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 were approximately RMB0.7 million, RMB2.8 million, RMB13.1 million and RMB5.3 million, respectively. In accordance with the arrangements currently in force, the aggregate remuneration before tax payable to the Directors for the year ending December 31, 2022 is estimated to be approximately RMB13.8 million.

The aggregate amount of remuneration incurred for our five highest paid individuals by our Group in respect of the three years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 were approximately RMB1.3 million, RMB3.7 million, RMB15.4 million and RMB6.2 million, respectively. During the Track Record Period, no remuneration was paid by our Group or received by any Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

During the Track Record Period, none of the Directors waived any remuneration. Save as disclosed above, during the Track Record Period, there were no other payments paid or payable to our Directors or five highest paid individuals by our Company or any of its subsidiaries.

For the details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed "Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this document.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain diversity in our Board. Pursuant to our 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. In particular, we currently have four male and four female Directors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

Our Nomination Committee is responsible for the implementation of our board diversity policy. Upon completion of the [**REDACTED**], our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser (the "**Compliance Adviser**") upon the [**REDACTED**] in compliance with Rule 3A.19 of the Hong Kong Listing Rules. The material terms of the Compliance Adviser's agreement are as follows:

(i) shall act as our compliance adviser for the purpose of Rule 3A.19 of the Hong Kong Listing Rules for a period commencing on the [**REDACTED**] and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**], or until the agreement is terminated, whichever is earlier;

(ii) the compliance adviser will provide us with certain services including proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, rules, codes and guidelines;

(iii) the compliance adviser will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines; and

(iv) the compliance adviser will act as one of the key channels of communication of our Company with the Stock Exchange.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules after the [**REDACTED**].

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the [**REDACTED**] except for Code Provision C.2.1 of the Corporate Governance Code, which provides that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman of the Board and the chief executive officer are currently performed by Mr. Yan. In view of Mr. Yan's substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. Yan acting as both our chairman of the Board and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. Yan continues to act as both our chairman of the Board and chief executive officer after the [**REDACTED**], and therefore currently do not propose to separate the functions of chairman of the Board and chief executive officer.

While this would constitute a deviation from Code Provision C.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. Yan and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

RSU SCHEME

In order to promote the Group's development in the long run and attract and retain senior management team and core talents of the Group, the RSU Scheme was approved and adopted by our Board on December 8, 2021. For further details about the RSU Scheme, see "Statutory and General Information – D. RSU Scheme" in Appendix IV.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Dr. Fan, our Co-founder, executive Director and chief scientific officer, will be interested in the voting rights of approximately [**REDACTED**]% of the issued share capital of our Company, comprising: (i) Shares held by Juzi Holding, which is wholly owned by Refulgence Holding, the holding vehicle for the benefit of FY Family Trust with Dr. Fan as the settlor and beneficiary, representing approximately [**REDACTED**]% of the issued share capital of our Company; (ii) Shares held by Dr. Fan through Healing Holding, representing approximately [**REDACTED**]% of the issued share capital of our Company; and (iii) Shares held by GBEBT Holding, a platform holding the underlying incentive Shares under the RSU Scheme and the voting rights of which was entrusted with Dr. Fan, representing approximately [**REDACTED**]% of the issued share capital of our Company. Accordingly, Dr. Fan, Juzi Holding, Refulgence Holding, Healing Holding and GBEBT Holding constitutes a group of Controlling Shareholders upon completion of the [**REDACTED**].

Mr. Yan, our Co-founder, chairman of the Board, executive Director and chief executive officer, is the spouse of Dr. Fan. As such, Mr. Yan will also constitute a Controlling Shareholder of our Company upon completion of the [**REDACTED**].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our business will function independently from our Controlling Shareholders and after the completion of the [**REDACTED**], taking into consideration the factors below.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Directors believe that our Board and management team are able to operate our business and manage all actual or potential conflicts of interest independently of our Controlling Shareholders for the following reasons:

(i) each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;

(iii) all of our three independent non-executive Directors are independent of the Controlling Shareholders and have extensive experience in their respective areas of expertise. See "Directors and Senior Management." All our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions;

(iv) Our Board has a balanced composition of executive Directors, non-executive Director and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with the members of the Controlling Shareholders or their respective associates; (b) our independent non-executive Directors account for no less than one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and

(v) upon completion of the [**REDACTED**], our Company will adopt a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see "– Corporate Governance Measures" in this section below for further information.

Therefore, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Based on the above, the Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

We are in possession of all production and operating facilities and technology relating to our Group's business and have obtained relevant requisite qualifications and approvals for conducting all our business. Currently, we engage in our Group's business independently, with the independent right to make operational decisions and implement such decisions. We have independent access to customers and suppliers and are not dependent on our Controlling Shareholders for any significant amount of our revenue, product development, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. We have our own

organizational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that the Company operates independently from our Controlling Shareholders.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from our Controlling Shareholders and their close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates.

As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Controlling Shareholders.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

COMPETING ISSUES UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. Our Company would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

(i) where a Board meeting is held for the matters in which any Director (including our Controlling Shareholders) has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(ii) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with a Controlling Shareholder or any of his/her/its associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;

(iv) Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;

(v) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and our Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all relevant financial, operational and market and any other necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;

(vi) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 to the Listing Rules; and

(vii) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company 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 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Capacity and nature of interest	Number of Shares[(1)]	Approximate percentage of shareholding in our Company as of the Latest Practicable Date	Approximate percentage of shareholding in our Company immediately following the completion of the [**REDACTED**][(2)]
Dr. Fan	Interest in controlled corporation[(3)]	581,104,935	59.97%	[**REDACTED**]%
	Interest in controlled corporation[(4)]	900,000	0.09%	[**REDACTED**]%
	Executor or administrator of a trust[(5)]	19,000,000	1.96%	[**REDACTED**]%
Mr. Yan	Interest of spouse; beneficiary of a trust[(3)(4)(5)(6)(7)]	601,004,935	62.02%	[**REDACTED**]%
Juzi Holding[(3)]	Beneficial owner	581,104,935	59.97%	[**REDACTED**]%
Refulgence Holding[(3)]	Interest in controlled corporation	581,104,935	59.97%	[**REDACTED**]%
Trident Trust Company (B.V.I.) Limited[(3)]	Trustee	581,104,935	59.97%	[**REDACTED**]%
Healing Holding[(4)]	Beneficial owner	900,000	0.09%	[**REDACTED**]%
GBEBT Holding[(5)]	Beneficial owner	19,000,000	1.96%	[**REDACTED**]%
Trident Trust Company (HK) Limited[(5)]	Trustee	19,000,000	1.96%	[**REDACTED**]%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised).

(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.

(6) Mr. Yan 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.

(7) 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.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company 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 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid as of the date of this document and immediately following the completion of the [**REDACTED**]:

1. Share Capital as of the date of this document

(a) Authorised share capital

Number	Description	Approximate aggregate nominal value of shares *(US$)*
4,632,000,000	Ordinary Shares of US$0.00001 each	46,320
50,000,000	Series A-1 Preferred Shares of par value US$0.00001 each	500
318,000,000	Series A-2 Preferred Shares of par value US$0.00001 each	3,180
5,000,000,000	**Total**	50,000

(b) Issued share capital

Number	Description	Approximate aggregate nominal value of shares *(US$)*
601,004,935	Ordinary Shares of US$0.00001 each	6,010
50,000,000	Series A-1 Preferred Shares of par value US$0.00001 each	500
317,995,065	Series A-2 Preferred Shares of par value US$0.00001 each	3,180
969,000,000	**Total**	9,690

2. Share Capital immediately after the completion of the [REDACTED]

(a) Authorised share capital

Number	Description	Approximate aggregate nominal value of shares *(US$)*
5,000,000,000	Ordinary Shares of US$0.00001 each	50,000
5,000,000,000	**Total**	50,000

(b) Issued share capital

Number	Description	Approximate aggregate nominal value of shares *(US$)*
969,000,000	Ordinary Shares in issue immediately before the [**REDACTED**] of US$0.00001 each	9,690
[**REDACTED**]	Ordinary Shares of US$0.00001 to be issued pursuant to the [**REDACTED**] (assuming the [**REDACTED**] is not exercised)	[**REDACTED**]
[**REDACTED**]	**Total**	[**REDACTED**]

ASSUMPTIONS

The above tables assume that the [**REDACTED**] becomes unconditional and the Shares are issued pursuant to the [**REDACTED**]. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The [**REDACTED**] will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may be subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law – Summary of the Constitution of the Company – 2. Articles of Association – 2.4 Alteration of capital" in Appendix III for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**]; and

- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "– General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See the section headed "Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of Our Company dated [●]"] in Appendix IV for further details.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information – A. Further Information about our Group – Repurchase of Our Own Securities" in Appendix IV to this document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See "Statutory and General Information – A. Further Information about our Group – 5. Repurchase of Our Own Securities" in Appendix IV for further details.

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 and the five months ended May 31, 2022, 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 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. Our revenue increased from RMB520.6 million for the five months ended May 31, 2021 to RMB723.0 million for the same period in 2022. Moreover, our net profit amounted to RMB575.2 million, RMB826.5 million, RMB828.1 million and RMB313.6 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, with net profit margin of 60.1%, 69.4%, 53.3% and 43.4% during the same periods, respectively. Our adjusted net profit (non-IFRS measure) amounted to RMB575.2 million, RMB827.1 million, RMB851.3 million and RMB336.1 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, with adjusted net profit margin (non-IFRS measure) of 60.1%, 69.5%, 54.8% and 46.5% during the same periods, respectively.

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 National Bureau of Statistics and 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 RMB38.1 thousand in 2022 to RMB54.5 thousand in 2027 at a CAGR of 7.4%. 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, 2021 and the five months ended May 31, 2022, revenue generated from distributors was RMB763.9 million, RMB859.5 million, RMB862.9 million and RMB387.2 million, respectively, representing 79.9%, 72.2%, 55.6% and 53.5% 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 their online retail platforms. We also directly sell our products to hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains. In 2019, 2020, 2021 and the five months ended May 31, 2022, revenue generated from direct sales was RMB192.8 million, RMB331.0 million, RMB689.6 million and RMB335.9 million, respectively, accounting for 20.1%, 27.8%, 44.4% and 46.5% 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 from 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 Supported 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 periods, 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, 2021 and the five months ended May 31, 2022, our R&D expenses amounted to RMB11.4 million, RMB13.4 million, RMB25.0 million and RMB14.2 million, respectively, accounting for 1.2%, 1.1%, 1.6% and 2.0% 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, 2021 and the five months ended May 31, 2022, our selling and distribution expenses amounted to RMB93.8 million, RMB158.4 million, RMB346.2 million and RMB195.8 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 operational disruption of hospitals, clinics, pharmacy and cosmetics chains, our business activities in certain offline sales 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. Our total revenue increased by 38.9% from RMB520.6 million in the five months ended May 31, 2021 to RMB723.0 million in the five months ended May 31, 2022. As of May 31, 2022, we had a liquidity of RMB922.2 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, Hangzhou 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.

Assuming the COVID-19 situation would not be materially intensified, we do not expect that COVID-19 pandemic would have a material adverse effect on our business operations and financial performance, considering (i) our healthy financial condition and meaningful cash flow; (ii) our measures to effectively manage COVID-19 related impact; and (iii) continued business growth up to the Latest Practicable Date. 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, 2022, 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 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.

Fair Value Measurement

Our Group measures its financial products at fair value through profit or loss at the end of each 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 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 period 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 period 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, (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. Our 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 our 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.

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 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,			For the Five Months Ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in thousands)				
				(Unaudited)	
Revenue	956,702	1,190,479	1,552,486	520,598	723,035
Cost of sales	(159,990)	(183,410)	(198,149)	(72,977)	(108,382)
Gross profit	**796,712**	**1,007,069**	**1,354,337**	**447,621**	**614,653**
Selling and distribution expenses	(93,788)	(158,422)	(346,211)	(94,152)	(195,792)
Administrative expenses	(28,845)	(32,992)	(72,274)	(24,300)	(42,748)
Research and development costs	(11,400)	(13,381)	(24,954)	(8,055)	(14,241)
Other expense	–	(2,344)	(2,954)	(762)	(695)
Other income	31,166	21,386	33,155	13,664	16,847
Other gains or losses, net	(15,825)	149,447	32,144	7,844	(8,955)
(Provision for)/reversal of impairment losses on financial assets, net	(1,024)	2,479	(326)	156	(570)
PROFIT BEFORE TAX	**676,996**	**973,242**	**972,917**	**342,016**	**368,499**
Income tax expense	(101,816)	(146,757)	(144,785)	(52,501)	(54,872)
PROFIT FOR THE YEAR/PERIOD	**575,180**	**826,485**	**828,132**	**289,515**	**313,627**
Attributable to:					
Owners of the parent	552,260	826,450	828,132	289,515	313,627
Non-controlling interests	22,920	35	–	–	–
	575,180	**826,485**	**828,132**	**289,515**	**313,627**

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) 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.

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 (non-IFRS measure) 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 (non-IFRS measure) as net profit for the period adjusted by adding back equity-settled share award expense, as it is non-cash in nature, and [**REDACTED**] expenses. The adjustments have been consistently made during the Track Record Period, and such adjustments comply with HKEX Guidance Letter 103-19.

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

	For the Year Ended December 31,			For the Five Months Ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in thousands)				
				(Unaudited)	
Reconciliation of profit to adjusted profit					
Profit for the year/period	575,180	826,485	828,132	289,515	313,627
Add:					
Equity-settled share award expenses	–	592	16,487	6,811	6,925
[**REDACTED**] expenses	–	–	6,647	–	15,567
Adjusted profit for the year/period (non-IFRS Measure)	**575,180**	**827,077**	**851,266**	**296,326**	**336,119**
Adjusted net profit margin (non-IFRS Measure)	**60.1%**	**69.5%**	**54.8%**	**56.9%**	**46.5%**

As we adopt the sales strategy in expanding our online sales channels, we strategically devoted significant resources in online marketing activities so as to follow industry trends and capture market opportunities, and thus have achieved significant revenue growth during the Track Record Period. Such greater spending on online sales and marketing activities on e-commerce platforms and social media platforms resulted in an increase in online marketing expenses from RMB64.5 million in 2019 to RMB124.6 million 2020 and further to RMB306.1 million in 2021, and from RMB77.2 million for the first five months in 2021 to RMB178.9 million for the same period in 2022. Accordingly, such expenditures substantially contributed to an overall decline in adjusted net profit margins (non-IFRS measure) during the Track Record Period.

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,						For the Five Months Ended May 31,			
	2019		*2020*		*2021*		*2021*		*2022*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands except for percentages)									
							(Unaudited)			
Professional skin treatment products	852,792	89.1	1,072,642	90.1	1,503,052	96.8	496,984	95.5	706,467	97.7
Functional foods and others[(1)]	103,910	10.9	117,837	9.9	49,434	3.2	23,614	4.5	16,568	2.3
Total	**956,702**	**100.0**	**1,190,479**	**100.0**	**1,552,486**	**100.0**	**520,598**	**100.0**	**723,035**	**100.0**

Note:

(1) Others include beverage, fiber supplements and personal care products.

Our overall growth in revenue during the Track Record Period was primarily driven by the 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%, 55.6% and 53.5% 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 periods indicated:

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2019		*2020*		*2021*		*2021*		*2022*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except percentages)									
							(Unaudited)			
Direct sales										
– Online direct sales through our DTC stores	156,136	16.3	274,181	23.0	574,065	37.0	150,005	28.8	265,086	36.7
– Online direct sales to e-commerce platforms	1,947	0.2	32,977	2.8	70,097	4.5	23,696	4.6	49,786	6.9
– Offline direct sales	34,670	3.6	23,825	2.0	45,390	2.9	11,362	2.2	21,001	2.9
Subtotal	**192,753**	**20.1**	**330,983**	**27.8**	**689,552**	**44.4**	**185,063**	**35.6**	**335,873**	**46.5**
Sales to distributors	**763,949**	**79.9**	**859,496**	**72.2**	**862,934**	**55.6**	**335,535**	**64.4**	**387,162**	**53.5**
Total	**956,702**	**100.0**	**1,190,479**	**100.0**	**1,552,486**	**100.0**	**520,598**	**100.0**	**723,035**	**100.0**

During the Track Record Period, the majority of our revenue was primarily derived from our sales to distributors. However, the revenue contribution via our direct sales demonstrated robust growth throughout the Track Record Period, which was in particular driven by our DTC stores where individual consumers purchased our products. 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, respectively,

and increased by 76.7% from RMB150.0 million in the five months ended May 31, 2021 to RMB265.1 million in the five months ended May 31, 2022, accounting for 28.8% and 36.7% of our total revenue for the same periods, respectively. We also sell to e-commerce platforms such as JD.com and Vipshop, who resell our products to customers through their online retail platforms. 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, respectively, and increased by 110.1% from RMB23.7 million in the five months ended May 31, 2021 to RMB49.8 million in the five months ended May 31, 2022, accounting for 4.6% and 6.9% of our total revenue for the same periods, respectively. The growth in online direct sales was attributable to our enhanced online marketing efforts and contributed to the change in sales channel mix.

Our offline direct sales customers are mainly hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains. 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, respectively, and increased by 84.2% from RMB11.4 million in the five months ended May 31, 2021 to RMB21.0 million in the five months ended May 31, 2022, accounting for 2.2% and 2.9% of our total revenue for the same periods, respectively. Our offline direct sales increased in 2021, while experienced a decrease in 2020 primarily under the impact of COVID-19 pandemic as the medical institutions suspended or reduced operational activities. 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, respectively, and increased by 81.5% from RMB185.1 million in the five months ended May 31, 2021 to RMB335.9 million in the five months ended May 31, 2022, accounting for 35.6% and 46.5% of our total revenue for the same periods, respectively.

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, respectively, and increased by 15.4% from RMB335.5 million in the five months ended May 31, 2021 to RMB387.2 million in the five months ended May 31, 2022, accounting for 64.4% and 53.5% of our total revenue for the same periods, respectively.

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,						For the Five Months Ended May 31,			
	2019		*2020*		*2021*		*2021*		*2022*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)						*(Unaudited)*			
Raw materials	119,340	74.6	137,730	75.1	143,878	72.6	57,473	78.8	80,360	74.1
Manufacturing overhead & logistics	27,027	16.9	30,544	16.7	41,378	20.9	9,074	12.4	19,126	17.6
Direct labor costs	13,623	8.5	15,112	8.2	12,234	6.2	6,157	8.4	8,619	8.0
Equity-settled share award expense	–	–	23	–	659	0.3	273	0.4	277	0.3
Total	**159,990**	**100.0**	**183,410**	**100.0**	**198,149**	**100.0**	**72,977**	**100.0**	**108,382**	**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 forth our gross profit and gross profit margin by product category for the periods indicated:

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2019		*2020*		*2021*		*2021*		*2022*	
	Gross profit	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*
	(RMB in thousands except for percentages)									
							(Unaudited)			
Professional skin treatment products	722,774	84.8	925,741	86.3	1,312,102	87.3	427,648	86.0	600,436	85.0
Functional foods and others	73,938	71.2	81,328	69.0	42,235	85.4	19,973	84.6	14,217	85.8
Total	**796,712**	**83.3**	**1,007,069**	**84.6**	**1,354,337**	**87.2**	**447,621**	**86.0**	**614,653**	**85.0**

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, and increased by 37.3% from RMB447.6 million in the five months ended May 31, 2021 to RMB614.7 million in the five months ended May 31, 2022. Our gross profit margins increased from 83.3% in 2019 to 84.6% in 2020, and further to 87.2% in 2021, and decreased from 86.0% in the five months ended May 31, 2021 to 85.0% in the five months ended May 31, 2022. 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, and increased by 40.4% from RMB427.6 million in the five months ended May 31, 2021 to RMB600.4 million in the five months ended May 31, 2022. 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, and decreased by 29.0% from RMB20.0 million in the five months ended May 31, 2021 to RMB14.2 million in the five months ended May 31, 2022.

Gross Profit and Gross Profit Margin by Sales Channel

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

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2019		*2020*		*2021*		*2021*		*2022*	
	Gross profit	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*	*Gross profit*	*Gross profit margin (%)*
	(RMB in thousands except for percentages)									
							(Unaudited)			
Direct sales										
– Online direct sales through our DTC stores	144,325	92.4	250,635	91.4	517,260	90.1	136,754	91.2	234,822	88.6
– Online direct sales to e-commerce platforms	1,784	91.6	29,909	90.7	66,732	95.2	22,399	94.5	46,445	93.3
– Offline direct sales	29,568	85.3	21,035	88.3	37,275	82.1	9,640	84.8	16,672	79.4
Sales to distributors	621,035	81.3	705,490	82.1	733,070	85.0	278,828	83.1	316,714	81.8
Total	**796,712**	**83.3**	**1,007,069**	**84.6**	**1,354,337**	**87.2**	**447,621**	**86.0**	**614,653**	**85.0**

Our overall gross profit margin improved from 2019 to 2021, which was primarily driven by our growth in our online direct sales. Our overall gross profit margins remained relatively stable in the five months ended May 31, 2021 and 2022.

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 service fees, e-commerce platform marketing expenses and social media marketing expenses. Platform service fees mainly are charged in connection with the operation of our DTC stores on online platforms, which include (i) services fees for the sales amount generated through our DTC stores and (ii) service fees for the sales amount generated from livestream sessions and embedded links on such platforms. E-commerce platform marketing expenses are charged for the online marketing services rendered by the relevant e-commerce platforms such as online advertisement placement. Social media marketing expenses are charged for the online marketing services rendered by social media platforms such as content marketing services and advertisement placement. 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, RMB346.2 million and RMB195.8 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, which accounted for 9.8%, 13.3%, 22.3% and 27.1% of our total revenue for the respective periods.

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,						For the Five Months Ended May 31,			
	2019		*2020*		*2021*		*2021*		*2022*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands except for percentages)									
							(Unaudited)			
Online marketing expenses										
- Platform service fees	17,729	18.9	45,412	28.7	85,216	24.6	22,073	23.4	40,698	20.8
- E-commerce platform marketing expenses	45,823	48.8	57,574	36.3	124,678	36.0	31,419	33.4	85,955	43.9
- Social media marketing expenses	971	1.0	21,640	13.7	96,213	27.9	23,691	25.2	52,204	26.6
Subtotal	**64,523**	**68.7**	**124,626**	**78.7**	**306,107**	**88.5**	**77,183**	**82.0**	**178,857**	**91.3**
Offline marketing expenses	24,816	26.5	27,535	17.4	23,369	6.7	11,595	12.3	5,334	2.7
Employee compensation expenses	3,266	3.5	5,132	3.2	12,552	3.6	4,030	4.3	9,609	4.9
Equity-settled share award expense	–	–	27	–	765	0.2	316	0.3	321	0.2
Others	1,183	1.3	1,102	0.7	3,418	1.0	1,028	1.1	1,671	0.9
Total	**93,788**	**100.0**	**158,422**	**100.0**	**346,211**	**100.0**	**94,152**	**100.0**	**195,792**	**100.0**

During the Track Record Period, our online marketing expenses increased from RMB64.5 million in 2019 to RMB306.1 million in 2021, and from RMB77.2 million for the five months ended May 31, 2021 to RMB178.9 million for the same period in 2022, primarily due to our efforts devoted to online marketing. In particular, social media marketing expenses increased significantly from RMB1.0 million in 2019 to RMB96.2 million in 2021, and from RMB23.7 million in the first five months of 2021 to RMB52.2 million in the same period in 2022, which was generally in line with our online marketing strategies, where we enhanced our brand presence on social media platforms. Platform service fees and e-commerce platform marketing expenses also increased significantly throughout the Track Record Period, which was driven by our increased spending on online sales and marketing activities on these platforms. We have established a marketing evaluation model for measuring the effectiveness and conversion rates of its marketing activities such as hurdle rate for cost per mille (average cost of one thousand ad impression), cost per engagement and cost per click. We expect to continue to devote significant resources in online marketing activities in the future and use a prudent marketing strategy to ensure a profitable sales return. In particular, our platform

service fees are expected to continue to increase alongside our sales and revenue growth. We also expect our e-commerce marketing expenses and social media marketing expenses will continue to increase driven by our enhanced online marketing activities.

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, RMB72.3 million and RMB42.7 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, which accounted for 3.0%, 2.8%, 4.7% and 5.9% 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,						For the Five Months Ended May 31,			
	2019		*2020*		*2021*		*2021*		*2022*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands except for percentages)									
							(Unaudited)			
Employee compensation expenses	5,276	18.3	9,410	28.5	22,262	30.8	7,526	31.0	8,547	20.0
Equity-settled share award expense	–	–	472	1.4	13,124	18.1	5,420	22.3	5,513	12.9
Depreciation and amortization expenses	10,242	35.5	10,695	32.4	12,187	16.9	4,994	20.6	4,938	11.6
[**REDACTED**] expense	–	–	–	–	6,647	9.2	–	–	15,567	36.4
Office and utilities expenses	5,560	19.3	5,110	15.5	6,562	9.1	3,163	13.0	3,430	8.0
Professional service fees	–	–	487	1.5	4,243	5.9	406	1.7	1,568	3.7
Other tax expenses	1,255	4.3	2,001	6.1	2,828	3.9	739	3.0	1,595	3.7
Inventory provision and obsolete	4,500	15.6	1,368	4.1	1,627	2.2	1,081	4.4	207	0.5
Others	2,012	7.0	3,449	10.5	2,794	3.9	971	4.0	1,383	3.2
Total	**28,845**	**100.0**	**32,992**	**100.0**	**72,274**	**100.0**	**24,300**	**100.0**	**42,748**	**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, RMB25.0 million and RMB14.2 million in 2019, 2020 and 2021, and the five months ended May 31, 2022, respectively, which accounted for 1.2%, 1.1%, 1.6% and 2.0% 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,						For the Five Months Ended May 31,			
	2019		*2020*		*2021*		*2021*		*2022*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands except for percentages)									
							(Unaudited)			
Employee compensation expenses	6,331	55.6	6,767	50.6	9,352	37.5	3,601	44.7	6,224	43.7
R&D materials	3,435	30.1	2,247	16.8	5,982	24.0	1,445	17.9	2,783	19.5
Depreciation and amortization expenses	696	6.1	2,376	17.8	3,015	12.1	1,057	13.1	1,671	11.7
Testing fees	180	1.6	582	4.3	2,463	9.8	376	4.7	1,317	9.3
Equity-settled share award expense	–	–	70	0.5	1,939	7.8	802	10.0	814	5.7
Others	758	6.6	1,339	10.0	2,203	8.8	774	9.6	1,432	10.1
Total	**11,400**	**100.0**	**13,381**	**100.0**	**24,954**	**100.0**	**8,055**	**100.0**	**14,241**	**100.0**

Other Income

Our other income comprises (i) government grants, (ii) interest income, (iii) rental income and (iv) handling fee received from relevant tax authorities for withholding individual tax in the five months ended May 31, 2022, relating to the dividends paid by our Group. In accordance with the IIT Law, a handling fee of 2% of the withhholding tax shall be paid to the withholding agent. As our Company was the withholding agent for the individual tax in relation to the dividends paid by our Group, we received the payment of such handling fees of RMB9.6 million in the five months ended May 31, 2022. Other income amounted to RMB31.2 million, RMB21.4 million, RMB33.2 million and RMB16.8 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively.

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

	For the Year Ended December 31,			For the Five Months Ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in thousand)				
				(Unaudited)	
Other income					
Government grants	14,985	9,136	20,770	7,392	1,230
Interest income	16,181	9,882	9,408	5,041	4,935
Rental income	–	2,368	2,977	1,231	1,042
Handling fee for individual tax withholding	–	–	–	–	9,640
Total	**31,166**	**21,386**	**33,155**	**13,664**	**16,847**

Other gains or losses, net

Our other gains or losses primarily comprise (i) foreign exchange gains/(losses), net, (ii) fair value gains/(losses) on financial assets at FVTPL and (iii) litigation compensation, representing the settlement in connection with the early termination of a commercial contract. We recorded other losses of RMB15.8 million, and other gains of RMB149.4 million, RMB32.1 million and other losses of RMB9.0 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively.

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

	For the Year Ended December 31,			For the Five Months Ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in thousand)				
				(Unaudited)	
Foreign exchange gains/(losses), net	–	–	21,606	–	(1,719)
Fair value gains/(losses) on financial assets at FVTPL[(1)]	162	154,778	14,474	10,231	(7,848)
Litigation compensation	(10,118)	–	–	–	–
Others	(5,869)	(5,331)	(3,936)	(2,387)	612
Total	**(15,825)**	**149,447**	**32,144**	**7,844**	**(8,955)**

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,			For the Five Months Ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in thousands)				
				(Unaudited)	
Current tax:					
Charge for the year/period	103,239	142,501	145,378	52,341	55,568
Deferred tax charge/(credited)	(1,423)	4,256	(593)	160	(696)
Total	**101,816**	**146,757**	**144,785**	**52,501**	**54,872**

Our current tax charge amounted to RMB103.2 million, RMB142.5 million, RMB145.4 million and RMB55.6 million, respectively, in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, whilst our income tax paid during the same periods were RMB59.5 million, RMB121.1 million, RMB218.3 million and RMB107.8 million. The principal reason for such differences is that the current tax charge is determined based on the profit for the relevant period, whilst the income tax paid for the same period comprise (i) the provisional income tax based on the profit for the fourth quarter of the prior year as well as the income tax paid as the result of the annual settlement of the outstanding income tax for the entire prior year (上一年年度匯算清繳) and (ii) provisional income tax based on the profit for the first, second and third quarter of the current period. According to the EIT Law, quarterly income tax filing and payment is due within 15 days after quarter end and annual tax filing and payment is due within five months after the year end. In addition, our income tax paid in 2021 also included the tax paid due to adjustments as detailed in "– Discussion of Major Balance Sheet Items – Current Assets/Liabilities – Tax Payable." In 2019, 2020, 2021 and the five months ended May

31, 2022, our effective tax rates were 15.0%, 15.1%, 14.9% and 14.9%, respectively. Except the surcharges in connection with the tax adjustments and payments made in 2021 as detailed in "– Discussion of Major Balance Sheet Items – Tax Payable", we were not subject to any tax investigation, enquiries, penalties or surcharges during the Track Record Period and up to the Latest Practicable Date.

Profit for the period

Our net profit increased throughout the Track Record Period. Our net profit increased from RMB575.2 million in 2019 to RMB826.5 million in 2020, primarily due to the increase in the revenue and gross profit generated from the sales of our professional skin treatment products. Our net profit increased slightly from RMB826.5 million in 2020 to RMB828.1 million in 2021, primarily due to the increase in our revenue and gross profit generated from the sales of our professional skin treatment products, partially offset by (i) the increase of RMB187.8 million in our selling and distribution expenses to enhance our online marketing activities, and (ii) the decrease of RMB117.3 million in our other net gains mainly as a result of a substantial one-time gain on disposal of certain financial products in 2020. Our net profit also increased from RMB289.5 million for the five months ended May 31, 2021 to RMB313.6 million for the same period in 2022, primarily due to the increase in the revenue and gross profit generated from the sales of our professional skin treatment products.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five Months Ended May 31, 2022 Compared to Five Months Ended May 31, 2021

Revenue

Our revenue increased by 38.9% from RMB520.6 million for the five months ended May 31, 2021 to RMB723.0 million for the same period in 2022, primarily due to the increase in 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 42.2% from RMB497.0 million for the five months ended May 31, 2021 to RMB706.5 million for the same period in 2022, primarily due to the 62.9% increase in the sales of the products under *Comfy (可復美)* from RMB262.9 million for the five months ended May 31, 2021 to RMB428.4 million for the same period in 2022.

- ***Functional foods and others:*** The revenue from the sales of functional foods and others decreased from RMB23.6 million for the five months ended May 31, 2021 to RMB16.6 million for the same period in 2022 primarily due to the decrease in the quantities of Shengan Capsule sold, which was attributable to the slow customer adoption after the change in packaging design in 2022 and limited promotional activities.

Costs of sales

Our cost of sales increased by 48.5% from RMB73.0 million for the five months ended May 31, 2021 to RMB108.4 million for the same period in 2022, which was primarily driven by the increase in production and sales of our products in the first five months in 2022.

Gross profit and gross profit margin

Our overall gross profits increased by 37.3% from RMB447.6 million for the five months ended May 31, 2021 to RMB614.7 million for the same period in 2022. Our gross profit margin remained relatively stable at 86.0% and 85.0% for the five months ended May 31, 2021 and 2022. In particular:

- ***Professional skin treatment products***: The gross profits for our professional skin treatment products increased by 40.4% from RMB427.6 million for the five months ended May 31, 2021 to RMB600.4 million for the same period in 2022, 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 86.0% for the five months ended May 31, 2021 and 85.0% for the same period in 2022.

- ***Functional foods and others***: The gross profits for functional foods and others decreased from RMB20.0 million for the five months ended May 31, 2021 to RMB14.2 million for the same period in 2022 primarily due to the decrease in the quantities of Shengan Capsule sold. The gross profit margins for functional foods remained stable at 84.6% for the five months ended May 31, 2021 and 85.8% for the same period in 2022.

Other income

Our other income increased by 23.3% from RMB13.7 million for the five months ended May 31, 2021 to RMB16.8 million for the same period in 2022, primarily due to an increase in handling fee for individual tax withholding in the first five months in 2022.

Other gains or losses, net

We recorded other net gains of RMB7.8 million for the five months ended May 31, 2021 and other net losses of RMB9.0 million for the five months ended May 31, 2022, primarily due to a change in the fair value on financial assets at FVTPL as we incurred a fair value loss on certain financial products in the first five months in 2022.

Selling and distribution expenses

Our selling and distribution expenses increased by 108.0% from RMB94.2 million for the five months ended May 31, 2021 to RMB195.8 million for the same period in 2022, primarily due to the expansion in online marketing activities on e-commerce and social media platforms to further drive online direct sales. As a result, the selling and distribution expenses as a percentage of our total revenue increased from 18.1% for the five months ended May 31, 2021 to 27.1% for the same period in 2022.

Administrative expenses

Our administrative expenses increased by 75.9% from RMB24.3 million for the five months ended May 31, 2021 to RMB42.7 million for the same period in 2022, primarily due to an increase in [**REDACTED**] expenses in the first five months in 2022. As a result, the administrative expenses as a percentage of our total revenue increased from 4.7% for the five months ended May 31, 2021 to 5.9% for the same period in 2022.

Research and development costs

Our R&D costs increased by 76.8% from RMB8.1 million for the five months ended May 31, 2021 to RMB14.2 million for the same period in 2022, primarily due to (i) an increase in the number of our R&D personnel in the first five months in 2022, and (ii) an overall increase in our R&D activities. As a result, the R&D costs as a percentage of our total revenue increased from 1.5% for the five months ended May 31, 2021 to 2.0% for the same period in 2022.

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

Our net impairment losses on financial assets changed from a net reversal of RMB0.2 million for the five months ended May 31, 2021 to a net provision of RMB0.6 million for the same period in 2022, primarily due to an increase in expected credit loss rate as a result of the increase in migration rate of trade receivables for the time band "over 3 years" as of May 31, 2022. The migration rate for time band "over 3 years" was calculated based on preceding three years average movements of trade receivables for time band "over 2 to 3 years" that were carried forward to time band "over 3 years" in the following year and compared to May 31, 2021, the increase in migration rate for time band "over 3 years" as of May 31, 2022 was due to an increase in the preceding three years average movements of trade receivables for the time band "2 to 3 years" that were carried to time band "over 3 years". As of May 31, 2022, the trade receivables balance with amount over 3 years was immaterial with an occupation rate of 1.7% over total trade receivable balance.

Profit before tax

Our profit before tax increased from RMB342.0 million for the five months ended May 31, 2021 to RMB368.5 million for the same period in 2022, primarily due to the increase in our gross profit driven by the increased revenue from the sales of our products.

Income tax expense

Our income tax expense increased from RMB52.5 million for the five months ended May 31, 2021 to RMB54.9 million for the same period in 2022, which is in line with the increase in the profit before tax.

Profit for the period

As a result of the foregoing, our profit for the period increased by 8.3% from RMB289.5 million for the five months ended May 31, 2021 to RMB313.6 million for the same period in 2022.

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. We discontinued the sales of these products due to their limited profitability, so as to strategically focus on our core business.

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 in 2020 to RMB1,354.3 million in 2021, 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 RMB925.7 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 for)/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 and bills 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 (可麗金)*, 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 RMB925.7 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. See "Business – Legal Proceedings and Compliance." We also incurred 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 costs as a percentage of our total revenue remained relatively stable at 1.2% in 2019 and 1.1% in 2020.

(Provision for)/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 and bills receivables as a result of the subsequent settlement of trade and bills 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,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
CURRENT ASSETS				
Inventories	50,863	64,656	89,394	84,390
Trade and bills receivables	17,260	54,523	65,639	51,599
Prepayments, other receivables and other assets, current	16,289	7,460	27,682	72,153
Amounts due from the related parties	554,897	201,310	–	–
Financial assets at fair value through profit or loss ("FVTPL")	746,623	1,588,344	155,607	146,023
Cash and cash equivalents	72,323	367,805	7,103,000	922,187
Total current assets	**1,458,255**	**2,284,098**	**7,441,322**	**1,276,352**
NON-CURRENT ASSETS				
Property, plant and equipment	258,722	240,363	274,336	361,845
Investment properties	–	26,087	24,170	–
Other intangible assets	9,154	8,782	7,598	7,411
Right-of-use assets	41,218	40,351	59,190	58,360
Prepayments, other receivables and other assets, non-current	25,332	50,197	70,240	51,894
Deferred tax assets	4,256	1,230	1,352	1,783
Total non-current assets	**338,682**	**367,010**	**436,886**	**481,293**
Total assets	**1,796,937**	**2,651,108**	**7,878,208**	**1,757,645**

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
CURRENT LIABILITIES				
Trade payables	22,779	31,946	23,612	25,888
Other payables and accruals	77,741	93,856	6,362,837	98,258
Amount due to a related party	–	–	–	2,828
Tax payable	122,867	144,234	71,355	19,144
Dividend payables	397,000	1,900,000	367,460	–
Deferred income	1,620	2,681	1,500	1,500
Contract liabilities	4,047	1,173	16,278	11,208
Total current liabilities	**626,054**	**2,173,890**	**6,843,042**	**158,826**
NON-CURRENT LIABILITIES				
Deferred income	19,422	17,973	17,584	19,059
Deferred tax liabilities	12	1,242	771	506
Total non-current liabilities	**19,434**	**19,215**	**18,355**	**19,565**
Total liabilities	**645,488**	**2,193,105**	**6,861,397**	**178,391**
NET CURRENT ASSETS	**832,201**	**110,208**	**598,280**	**1,117,526**
NET ASSETS	**1,151,449**	**458,003**	**1,016,811**	**1,579,254**

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
EQUITY				
Equity attributable to owners of the parent				
Ordinary share capital	–	–	58	37
Preferred share capital	–	–	23	24
Treasury shares	–	–	(1)	(1)
Reserves	1,147,698	458,003	1,016,731	1,579,194
	1,147,698	458,003	1,016,811	1,579,254
Non-controlling interests	3,751	–	–	–
Total equity	**1,151,449**	**458,003**	**1,016,811**	**1,579,254**

We had net assets of RMB1,151.4 million, RMB458.0 million, RMB1,016.8 million and RMB1,579.3 million as of December 31, 2019, 2020, 2021 and May 31, 2022, respectively. Our net assets decreased by 60.2% from RMB1,151.4 million as of December 31, 2019 to RMB458.0 million as of December 31, 2020, primarily due to an increase in dividend payables in light of the dividends declared in 2020. Our net assets subsequently increased by 122.0% from RMB458.0 million as of December 31, 2020 to RMB1,016.8 million as of December 31, 2021, primarily due to an increase in cash and cash equivalent arising from our financing activities. Our net assets increased by 55.3% from RMB1,016.8 million as of December 31, 2021 to RMB1,579.3 million as of May 31, 2022, primarily due to (i) net profits generated in operations, benefitting from our business growth, and (ii) capital contributions from series A preferred shareholders.

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 May 31,	As of August 31,
	2019	2020	2021	2022	2022
	(RMB in thousands)				*(Unaudited)*
CURRENT ASSETS					
Inventories	50,863	64,656	89,394	84,390	115,263
Trade and bills receivables	17,260	54,523	65,639	51,599	56,284
Prepayments, other receivables and other assets, current	16,289	7,460	27,682	72,153	53,730
Amounts due from related parties	554,897	201,310	–	–	–
Financial assets at FVTPL	746,623	1,588,344	155,607	146,023	666,767
Cash and cash equivalents	72,323	367,805	7,103,000	922,187	696,485
Total current assets	**1,458,255**	**2,284,098**	**7,441,322**	**1,276,352**	**1,588,529**
CURRENT LIABILITIES					
Trade payables	22,779	31,946	23,612	25,888	39,399
Other payables and accruals	77,741	93,856	6,362,837	98,258	114,199
Amount due to a related party	–	–	–	2,828	2,926
Tax payable	122,867	144,234	71,355	19,144	39,779
Dividend payables	397,000	1,900,000	367,460	–	–
Deferred income	1,620	2,681	1,500	1,500	1,500
Contract liabilities	4,047	1,173	16,278	11,208	6,614
Total current liabilities	**626,054**	**2,173,890**	**6,843,042**	**158,826**	**204,417**
NET CURRENT ASSETS	**832,201**	**110,208**	**598,280**	**1,117,526**	**1,384,112**

Our net current assets increased by 23.9% from RMB1,117.5 million as of May 31, 2022 to RMB1,384.1 million as of August 31, 2022, primarily due to (i) an increase of RMB520.7 million in financial assets at FVTPL and (ii) an increase of RMB30.9 million in inventories, partially offset by a decrease of RMB225.7 million in cash and cash equivalents.

Our net current assets increased by 86.8% from RMB598.3 million as of December 31, 2021 to RMB1,117.5 million as of May 31, 2022, primarily due to (i) a decrease of RMB6,264.6 million in other payables and accruals, and (ii) a decrease of RMB367.5 million in dividend payables, partially offset by a decrease of RMB6,180.8 million in cash and cash equivalents. The decreases in other payables and accruals from RMB6,362.8 million as of December 31, 2021 to RMB98.3 million as of May 31, 2022 and cash and cash equivalents from RMB7,103.0 million as of December 31, 2021 to RMB922.2 million as of May 31, 2022 were primarily due to the redemption and cancellation 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 arising from our financing activities, and (ii) a decrease of RMB1,532.5 million in dividend payables in light of the dividend payments to our Shareholders, 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 in light of the dividends declared in 2020, and (ii) a decrease of RMB353.6 million in the amounts due from the related parties resulting from the repayments in 2020, 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, RMB89.4 million and RMB84.4 million, as of December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. The following table sets forth the breakdown of our inventory balance as of the date indicated:

	As of December 31,			As of May 31,
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
Raw materials	22,330	32,103	45,308	40,306
Finished goods	28,533	32,553	44,086	44,084
Total	**50,863**	**64,656**	**89,394**	**84,390**

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 2019, 2020 and 2021. Our inventories remained relatively stable at RMB89.4 million as of December 31, 2021 and RMB84.4 million as of May 31, 2022.

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

	As of December 31,			As of May 31,
	2019	**2020**	**2021**	**2022**
Inventory turnover days[(1)]	106	115	142	121

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. Our inventory turnover days decreased from 142 days in 2021 to 121 days as of May 31, 2022, which is in line with our historical inventory turnover days in 2019 and 2020.

As of August 31, 2022, approximately RMB68.9 million, or 81.1% of our inventories as of May 31, 2022 had been utilized or sold. Therefore, we do not expect any material recoverability issue with respect to our inventories.

Trade and Bills Receivables

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

	As of December 31,			As of May 31,
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
Trade receivables	17,711	55,219	66,383	44,921
Bills receivable	–	–	–	8,050
Impairment	(451)	(696)	(744)	(1,372)
Total	**17,260**	**54,523**	**65,639**	**51,599**

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 bills receivable were commercial acceptance bills aged within six months. Bills receivable is subject to impairment under the general approach, and its impact is considered to be minimal.

Our trade and bills 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. Our trade and bills receivables decreased from RMB65.6 million as of December 31, 2021 to RMB51.6 million as of May 31, 2022, primarily due to our enhanced management in relation to outstanding receivables.

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

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Within one year	16,280	53,127	64,525	42,379
Over one year and within two years	687	618	572	723
Over two years	293	778	542	447
Total	**17,260**	**54,523**	**65,639**	**43,549**

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

	As of December 31,			As of May 31,
	2019	2020	2021	2022
Trade and bills receivable turnover days[(1)]	6	11	14	12

Note:

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

Our trade and bills receivable turnover days remained relatively stable at 6 days, 11 days, 14 days and 12 days in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively.

As of August 31, 2022, RMB49.3 million, or 93.0% of our total trade and bills receivables as of May 31, 2022 were settled. Therefore, we do not expect any material recoverability issue with respect to our trade and bills receivables.

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,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Current:				
Prepayments	11,280	5,679	15,835	60,457
Value-added tax recoverable	–	–	6,697	–
Deposits and other receivables	6,041	2,405	4,879	8,620
Deferred [**REDACTED**] expenses	–	–	1,173	3,920
Impairment allowance	(1,032)	(624)	(902)	(844)
Total	**16,289**	**7,460**	**27,682**	**72,153**

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. Our prepayments, other receivables and other assets (current) increased from RMB27.7 million as of December 31, 2021 to RMB72.2 million as of May 31, 2022, primarily due to an increase in prepayments for online marketing activities and prepayments for raw materials.

As of August 31, 2022, RMB50.9 million, or 69.8% of our prepayments, other receivables and other assets as of May 31, 2022 were settled.

Amounts due from related parties

Amounts due from related parties was approximately RMB554.9 million, RMB201.3 million, nil and nil as of December 31, 2019, 2020, 2021 and May 31, 2022, 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 as of the end of period during the Track Record Period mainly represented the wealth management products purchased from reputable banks and other financial institutions in the PRC. See Note 20 to the Accountant's Report included in Appendix I to this document. The current financial product portfolio could be subject to impact of macroeconomic environment conditions, and we monitor the portfolio mix closely. See "Risk Factors – Risks Relating to Our Business and Industry – We are exposed to changes in the fair value of financial assets measured at fair value through profit or loss and valuation uncertainties."

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

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Financial Products	746,623	1,588,344	155,607	146,023

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, and further to RMB146.0 million as of May 31, 2022.

We monitor and control the investment risks associated with our portfolio of financial products with a comprehensive set of internal policies and guidelines to manage our investments. Our finance department is responsible for proposing, analyzing and evaluating potential investment in such products. Our management, including our finance department, has extensive experience in managing the financial aspects of enterprise's operations. In particular, Ms. Zhang Huijuan, our chief financial officer, has around 14 years of experience in accounting

and financial management. Our Board determines our investment strategies. Prior to making any material investments in financial products or modifying our existing investment portfolio, the proposal shall be reviewed and approved by our chief executive officer.

Our investment strategy related to such products focuses on minimizing the financial risks by reasonably matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to financial products after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions, and the expected profit or potential loss of the investment.

Upon the [**REDACTED**], we intend to continue our investments in financial products strictly in accordance with our internal policies, guidelines, and Articles of Association, and to the extent that an investment in financial products is a notifiable transaction under Chapter 14 of the Listing Rules, our Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

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,			As of May 31,
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
Trade payables	22,779	31,946	23,612	25,888

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

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Within one year	19,479	30,593	22,710	24,440
Over one year and within two years	2,959	1,105	367	547
Over two years	341	248	535	901
Total	**22,779**	**31,946**	**23,612**	**25,888**

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

	As of December 31,			As of May 31,
	2019	2020	2021	2022
Trade payable turnover days[(1)]	47	54	51	34

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 payable turnover days remained relatively stable at 47 days, 54 days and 51 days. Our trade payable turnover days decreased from 51 days in 2021 to 34 days in the five months ended May 31, 2022, as the trade payable balance remained relatively stable and our cost for the period increased in line with our business expansion.

As of August 31, 2022, RMB21.5 million, or 83.1% of our total trade payables as of May 31, 2022 were settled.

Other Payables and Accruals

Our other payables and accruals comprise (i) contractual obligation for redemption of ordinary shares, representing our Company's obligation to redeem its ordinary shares from Juzi Holding pursuant to the Share Redemption Agreement, which was completed subsequently in February 2022, (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 of December 31,			As of May 31,
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
Contractual obligation for redemption of ordinary shares	–	–	6,276,587	–
Deposits and other payables	24,175	50,200	48,950	39,346
Payroll payable	8,575	12,137	20,697	19,595
Other tax payable	19,386	28,368	8,236	7,948
Accrued [**REDACTED**] expenses	–	–	5,733	6,992
Payables for purchase of property, plant and equipment	25,605	3,151	2,634	24,377
Total	**77,741**	**93,856**	**6,362,837**	**98,258**

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. Our other payables and accruals decreased from RMB6,362.8 million as of December 31, 2021 to RMB98.3 million as of May 31, 2022, primarily due to (i) a decrease in contractual obligation for redemption of ordinary shares, (ii) a decrease in deposits and other payables, partially offset by an increase in payables for purchase of property, plant and equipment. 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. Our deposits and other payables decreased from RMB49.0 million as of December 31, 2021 to RMB39.3 million as of May 31, 2022, mainly attributable to the payment for the redemption of ordinary shares.

Amount Due to a Related Party

We recorded an amount due to a related party of RMB2.8 million as of May 31, 2022, which primarily represents the outstanding payments to Juzi Holding in relation to the redemption and cancellation of ordinary shares pursuant to the Share Redemption Agreement and thus non-trade in nature. Such amount was settled in September 2022. See "History, Reorganization and Corporate Structure – Pre-[**REDACTED**] Investments."

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. Our tax payable decreased from RMB71.4 million as of December 31, 2021 to RMB19.1 million as of May 31, 2022, mainly because (i) we settled the tax payable from the profits generated in 2021, and (ii) a lower tax payable balance only reflecting the profits generated in April and May 2022 rather than that of a full quarter.

The payment of tax payable from prior years' profits that was settled in 2021 comprised (i) provisional income tax based on the profit of fourth quarter of 2020 and the income tax paid as a result of the annual settlement of the outstanding income tax for 2020; (ii) income tax paid due to adjustments of RMB42.9 million which included income tax in connection with customers' payments received through our Group's personal bank accounts for the periods from 2014 to 2018 prior to the Track Record Period (See "Business – Sales, Distribution and Marketing – Use of Personal Bank Accounts"), and income tax primarily due to adjustments for the property, plant and equipment and inventory for the periods prior to the Track Record Period. Adjustments for the property, plant and equipment and inventory were made because (i) we expensed the property, plant and equipment related items such as building decoration expenses and greenery and ancillary area in 2018, which should have been capitalized and amortized over the useful years according to the relevant accounting standard instead of in 2018 only; (ii) we did not calculate the amount of inventories correctly due to finance staff's lack of correct understanding of inventory accounting, which resulted in the overstated amount of cost of sales prior to the Track Record Period.

The aforesaid income tax paid due to adjustments were mainly due to the relevant finance staff's lack of understanding of the relevant accounting standards and tax regulations. After we identified such issues, we have implemented a set of enhanced internal control measures to avoid the recurrence of similar incident, including (i) adopting enhanced accounting and reporting procedures and tax administration measures, (ii) installment of senior management oversight over tax compliance matters and enlargement of the finance staff with proper qualification; (iii) regularly carrying out internal audit and to rectify any issues if identified with dedicated personnel monitoring the rectification progress and ensure the compliance with applicable regulations, (iv) keeping abreast of the development of national and local tax laws and regulations, and (v) enhancing the professional trainings for the relevant finance staff with respect to accounting standards and tax regulations. We also paid surcharges of RMB24.0 million in connection with the aforesaid tax paid due to adjustments in 2021. The aforementioned income tax and the related surcharges were fully settled in 2021 and the underlying causes of such non-compliance have been rectified.

Based on the compliance certificates obtained from the tax authorities and the regulatory interviews conducted by our PRC Legal Advisors with Xi'an High-tech Development Zone Branch of the SAT and FengXi New City of XiXian New Zone Branch of the SAT, our PRC Legal Advisor are of the view that (i) the aforesaid payment of the income tax due to the adjustments does not constitute tax violation under the applicable PRC tax laws and regulations; and (ii) our Group had been in compliance with applicable PRC tax laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

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. Our contract liabilities decreased from RMB16.3 million as of December 31, 2021 to RMB11.2 million as of May 31, 2022, primarily because the delivery logistics gradually returned to normal following the end of the COVID-19 resurgence in Xi'an.

As of August 31, 2022, RMB9.5 million, or 84.8% of our contract liabilities as of May 31, 2022 were recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2022, we had RMB922.2 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. Our operating cash flow for the five months ended May 31, 2022 was RMB249.6 million.

Cash Flows

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

	For the Year Ended December 31,			For the Five Months Ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in thousands)			*(Unaudited)*	
Operating profit before changes in working capital	680,114	829,868	968,504	343,941	392,009
Working capital changes	35,848	125,390	(57,846)	(10,690)	(34,613)
Income taxes paid	(59,505)	(121,134)	(218,257)	(133,911)	(107,779)
Net cash generated from operating activities	656,457	834,124	692,401	199,340	249,617
Net cash (used in)/generated from investing activities	(589,846)	(521,119)	1,563,266	1,260,979	(26,825)
Net cash (used in)/generated from financing activities	(2,164)	(17,523)	4,475,544	(1,520,000)	(6,361,147)
Net increase in cash and cash equivalents	64,447	295,482	6,731,211	(59,681)	(6,138,355)
Cash and cash equivalents at the beginning of the year/period	7,876	72,323	367,805	367,805	7,103,000
Effect of foreign exchange rate changes	–	–	3,984	–	(42,458)
Cash and cash equivalents at the end the year/period	**72,323**	**367,805**	**7,103,000**	**308,124**	**922,187**

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 the five months ended May 31, 2022, our net cash generated from operating activities was RMB249.6 million. Our net cash generated from operating activities is calculated by adjusting our profit before tax of RMB368.5 million by non-cash and other items, such as depreciation of property, plant and equipment, fair value gains on financial assets at FVTPL, and equity-settled share award expense, to arrive at an operating profit before working capital changes of RMB392.0 million. Our movements in working capital mainly include (i) an increase in prepayments and other receivables of RMB41.7 million, (ii) a decrease in other payables and accruals of RMB9.9 million, and (iii) a decrease in contract liabilities of RMB5.1 million, partially offset by (i) a decrease in trade and bills receivables of RMB13.4 million and (ii) a decrease in inventories of RMB4.9 million.

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 RMB968.5 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 and bills receivables of RMB11.2 million and (iv) a decrease in trade payables of RMB8.3 million, partially offset by an increase in contract liabilities of RMB15.1 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 RMB829.9 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 and bills 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 and 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 RMB680.1 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 and bills 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 the five months ended May 31, 2022, our net cash flows used in investing activities were RMB26.8 million, primarily attributable to (i) purchase of financial assets at FVTPL of RMB411.0 million and (ii) purchase of items of property, plant and equipment of RMB33.1 million, partially offset by (i) proceeds from disposal of financial assets at FVTPL of RMB412.7 million and (ii) interest received of RMB4.9 million.

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 the five months ended May 31, 2022, our net cash flows used in financing activities were RMB6,361.1 million, primarily due to (i) redemption of ordinary shares of RMB6,233.0 million, (ii) dividends paid to the Co-founders of RMB367.5 million, and (iii) payments for [**REDACTED**] expenses of RMB2.6 million, partially offset by capital contributions from series A preferred shareholders of RMB241.9 million.

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 and the five months ended May 31, 2022, our capital expenditure was RMB37.0 million, RMB28.2 million, RMB90.5 million and RMB73.2 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,			For the Five Months Ended May 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Contracted, but not provided for:				
Plant and machinery	64,260	61,181	32,885	29,760
Buildings	10,274	10,274	4,075	376,394
Capital contribution to an associate	–	–	16,000	16,000
Total	**74,534**	**71,455**	**52,960**	**422,154**

INDEBTEDNESS

Borrowings

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

Lease Liabilities

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

Contingent Liabilities

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

Indebtedness Statement

As of August 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 was 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,			For the Five Months Ended May 31,
	2019	2020	2021	2022
Gross profit margin[(1)]	83.3%	84.6%	87.2%	85.0%
Net profit margin[(2)]	60.1%	69.4%	53.3%	43.4%
Return on assets[(3)]	39.2%	37.2%	15.7%	N/A
Return on equity[(4)]	54.1%	102.7%	112.3%	N/A
Adjusted net profit margin (non-IFRS measure)[(5)]	60.1%	69.5%	54.8%	46.5%
Current ratio[(6)]	2.3	1.1	1.1	8.0
Quick ratio[(7)]	2.2	1.0	1.1	7.5

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 period 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 period (as a non-IFRS measure) divided by revenue, and is also a non-IFRS measure. See "– Non-IFRS Measure."

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

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

Return on assets

Our return on assets decreased from 37.2% in 2020 to 15.7% 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 decreased from 39.2% in 2019 to 37.2% 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

Our return on equity increased from 102.7% in 2020 to 112.3% 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 increased from 54.1% in 2019 to 102.7% 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 increased from 1.1x as of December 31, 2021 to 8.0x as of May 31, 2022, primarily due to a decrease in our current liabilities attributable to a decrease in other payables and accruals of RMB6,264.6 million and a decrease in dividend payables of RMB367.5 million, partially offset by a decrease in our current assets attributable to a decrease in cash and cash equivalents of RMB6,180.8 million.

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 increased from 1.1x as of December 31, 2021 to 7.5x as of May 31, 2022, primarily due to a decrease in our current liabilities attributable to a decrease in other payables and accruals of RMB6,264.6 million, partially offset by a decrease in our current assets attributable to a decrease in cash and cash equivalents of RMB6,180.8 million.

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 period 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 period 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 did 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, taking into account the cash and cash equivalent of RMB922.2 million as of May 31, 2022 on hand and the estimated net [**REDACTED**] received from the [**REDACTED**], we possess sufficient working capital, including sufficient cash and liquidity assets for the next 12 months from the date of the document. After making reasonable enquiries with the Company about the Company's working capital requirements, nothing has come to the Joint Sponsors' attention which would cause them to disagree with the Directors' view above.

Our Directors confirmed that there had been no material defaults in payment of trade and non-trade payables during the Track Record Period and up to the date of 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, RMB367.5 million and nil in 2019, 2020, 2021 and the five months ended May 31, 2022, 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 May 31, 2022, we had retained profit of RMB432.1 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, there has been no material adverse change in our financial or trading position or prospects since May 31, 2022, 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 May 31, 2022 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, 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.

FUTURE PLANS

See "Business – Our Strategies" for a detailed discussion of our future plans.

USE OF [REDACTED]

Assuming that the [**REDACTED**] is not exercised, after deducting the [**REDACTED**] commissions and other estimated [**REDACTED**] expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] stated in this document), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**]. We intend to use our [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], 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. In particular, we plan to allocate:

  (i) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], in the next five to eight years, for the fundamental research and advancement of our proprietary synthetic biology technologies, and the R&D on new types of recombinant collagen, rare ginsenosides and other bioactive ingredients to further enhance the benefits and efficacy of our products.

  During the history of our Company and the Track Record Period, we have made significant progress in the fundamental research and advancement of our proprietary synthetic biology technologies. To date, we have expanded our recombinant collagen molecule library from just one type of recombinant collagen at our earlier stage of development to more than 30 types of various forms of recombinant collagen. We have also broadened our R&D focuses from recombinant collagen to rare ginsenosides and ginseng peptides. In addition, during the Track Record Period, we have developed a patented recombinant human-like collagen bionic combination technology to integrate four types of recombinant collagen which are used in our latest products; we have overcome the technological difficulty in achieving stable and efficient expressions of long-sequence recombinant collagen as a result of the multiple repetitions of functional fragments; we have been granted 14 patents in relation to our rare ginsenosides, and our research project "biomanufacturing of rare ginsenosides and its applications" was awarded the First Prize of Shaanxi Province Technical Invention Awards (陝西省技術發明獎一等獎). We have also built up an R&D team of talents in fundamental research with a diverse academic background and years of experience in fundamental research.

R&D is important for us to maintain technology leadership and develop new product iterations. We plan to continue to make investments in R&D of recombinant collagen with respect to the advancement of synthetic biology technologies in improving production efficiency and substantially increasing production volume for much larger commercial applications such as skin rejuvenation. In addition, we will continue to research more functions of recombinant collagen such as repairing cartilage tissues to address more consumer needs, and develop additional types of recombinant collagen for more options to offer tailored skincare solutions to consumers. Furthermore, we will invest in the R&D of other bioactive ingredients such as ginseng peptides, icariin, and technologies such as synthesizing rare ginsenosides by utilizing genetically engineered bacteria strains without any input of raw ginsenosides, which will reduce our costs substantially. More importantly, we plan to improve the speed, breadth and depth of our fundamental research, such as R&D on the mechanism of action and pharmacological applications of bioactive ingredients, which further addresses consumers' demands for efficacy and health. Such R&D activities rely on long-term investments and substantial financial resources such as the need for the advanced analytical and testing equipment. For example, a flow cytometer for cytology experiments costs approximately RMB2 million, and a high-resolution mass spectrometer costs approximately RMB3 million. We also plan to internalize a portion of pharmacology R&D activities which we have outsourced in the past. These efforts will continue to strengthen our synthetic biology platform and continuously build up our bioactive ingredients available for future products, which will help us achieve and maintain our technology advantages and leadership position in the industry;

(ii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for the R&D of functional skincare products and medical dressings. In addition to the functional skincare products in our pipeline, we plan to launch approximately 30 new functional skincare products per year over the next five years. The R&D of functional skincare products is expected to typically take approximately six to 24 months. We expect to submit filings for our functional skincare products with the Shaanxi Medical Products Administration and to receive approvals for special functional skincare products from the NMPA.

We also plan to launch five to ten medical dressings per year over the next five years. The R&D of medical dressings is expected to typically take approximately 12 to 36 months. We expect to receive Class II medical device registration certificates for medical dressings from the Shaanxi Medical Products Administration;

(iii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for the R&D of skin rejuvenation products and biomedical materials in our pipeline. Skin rejuvenation products and biomedical materials represent new product segments that we are targeting to expand into, given our bioactive ingredients contain various properties that make them highly suitable for this field. The R&D of skin rejuvenation products is expected to typically take more than 36 months, including clinical trials, and requires substantial more financial investments than those for Class I and Class II medical devices. See "Regulatory Overview – Regulations Relating to Medical Devices Production and Operation." As of the Latest Practicable Date, we were developing four skin rejuvenation products, two of which are currently undergoing clinical trials which we plan to complete in 2023, and apply for, and obtain, a Class III medical device registration certificate from the NMPA in 2024; and another two currently in pre-clinical development which we anticipate to commence patient enrollment and clinical trials in late 2022 and 2023, completing clinical trials in late 2024 and 2025, and applying and obtaining a Class III medical device registration certificate from the NMPA in 2025. As of the Latest Practicable Date, we were developing two biomedical materials, one of which is currently undergoing clinical trials, which we expect to receive a Class III medical device registration certificate from NMPA in 2024, and another in pre-clinical product development, which we expect to commence clinical trials in 2023 and receive a Class III medical device registration certificate from NMPA in 2026. After product approval, we plan to also continue working with hospitals to conduct and collect further post-clinical studies and data. See "Business – Our Expanding and Diversified Product Pipeline – Our Product Pipeline". In addition, from 2024 to 2027, we plan to develop one additional skin rejuvenation product each year;

(iv) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for the R&D of functional foods and foods for special medical purposes in our pipeline. Leveraging on our proprietary technology and the properties of rare ginsenosides, we are seeking to expand our portfolio of functional foods and launch a new product category in foods for special medical purposes. The R&D of functional foods is expected to typically take 24 to 36 months, and the R&D of food for special medical purposes is expected to typically take more than 36 months. As of the Latest Practicable Date, we were developing (a) seven functional foods designed to boost immune systems, reduce blood lipids, blood sugar levels and improve sleep, three of which are currently conducting or about to commence in-human studies, and another is currently conducting type testing, and (b) three foods for special medical purposes for people with dietary restrictions, digestive and absorption issues, metabolic disorders, as well as diabetes. We expect to receive the product approval for our key functional food product in pipeline, *Panax Notoginseng* and Red Rice Tablets, from SAMR after 2023; and we expect to receive the

product approvals for the foods for special medical purposes from SAMR in or after 2024. In addition, we plan to develop two more food for special medical purposes starting from 2023;

(v) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to expand our R&D team, with a focus on people with experience and expertise in biochemistry and applied chemistry, molecular biology, biotechnology, bioengineering and fermentation engineering. As we continue to make advancements in synthetic biology, and plan to continue expanding both our existing portfolio of functional skincare products, medical dressings and functional foods, as well as to new product segments such as skin rejuvenation products and biomedical materials, we plan to recruit more members into our R&D team to meet our growing needs for R&D talent. We plan to further recruit approximately 90 personnel in 2023, approximately 100 personnel in 2024, approximately 50 personnel in 2025, and approximately 50 personnel in 2026;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] for the expansion of manufacturing capacity with respect to our product portfolios and bioactive ingredients. In particular, we plan to allocate:

  (i) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for the expansion of existing manufacturing facilities for functional skincare products. According to Frost & Sullivan, the recombinant collagen-based functional skincare and the overall functional skincare markets in China are projected to grow from RMB4.6 billion and RMB30.8 billion in 2021 to reach RMB64.5 billion and RMB211.8 billion in 2027 in terms of retail sales values, respectively (see "Industry Overview – Overview of China's Collagen-based Product Market – Recombinant Collagen Application 1: Professional Skin Treatment (Functional Skincare and Medical Dressing)"). As the demand for functional skincare products is expected to continue increasing significantly in the coming years, we intend to capitalize on this market opportunity by further growing our product portfolio (including 50 functional skincare products in our current pipeline), leveraging our brand leadership as one of the largest functional skincare brands in China and our existing online and offline marketing channels with established access to consumers. As of May 31, 2022, the utilization rate for our functional skincare product manufacturing facilities reached 86.1%. In order to meet the growing demand for our products and maintain our leadership position as one of the leading functional skincare players in China, we plan to expand our total annual production of functional skincare products from 55 million units as of December 31, 2021 to approximately 89 million units;

(ii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for the construction of new facilities for medical device products, including medical dressings, skin rejuvenation products and biomedical materials. According to Frost & Sullivan, the recombinant collagen-based medical dressing and the overall medical dressing markets in China are expected to grow from RMB4.8 billion and RMB25.9 billion in 2021 to reach RMB25.5 billion and RMB97.9 billion in 2027, respectively; the recombinant collagen-based skin rejuvenation application market and the recombinant collagen-based biomedical material market are expected to grow from RMB0.4 billion and RMB0.5 billion in 2021 to reach RMB12.1 billion and RMB3.7 billion, respectively (see "Industry Overview – Overview of China's Collagen-based Product Market – Recombinant Collagen Application 1: Professional Skin Treatment (Functional Skincare and Medical Dressing)" and "Industry Overview – Overview of China's Collagen-based Product Market – Summary of Market Size of China's Recombinant Collagen-based Product Market"). As the demand for medical dressings is expected to continue increasing significantly in the coming years, we intend to continue developing 37 new medical dressings in our current pipeline and leverage our market leadership as the second largest medical dressings company in China and existing online and offline channels to capture greater market potentials. While skin rejuvenation and biomedical materials represent new market segments for our Company, we believe that our experience in the manufacturing and sales of medical devices (e.g. medical dressings), our growth into one of the leading medical dressing players in China today, and our broad sales and distribution network of medical institutions will allow us to effectively expand and penetrate into these new market segments.

As of December 31, 2021, the annual production capacity of our medical dressing manufacturing capacities reached 57.2 million units. As of May 31, 2022, the utilization rate for our medical dressing manufacturing facilities reached 96.1%. In order to maintain our position as one of the top medical dressing players in China, we plan to expand our production capacity for medical dressings. Furthermore, as skin rejuvenation products and bone repair materials are classified as Class III medical device products and represent new segments for our Company, our facilities will be built to meet the higher technical and regulatory requirements for Class III medical device products. We anticipate the first of our our skin rejuvenation products as Class III medical device products to receive regulatory approval as early as post-2023. As such, we commenced construction of these facilities in June 2022, with a view to complete construction in the first half of 2024, in order to meet NMPA requirements on manufacturing capabilities prior to obtaining a product registration certificate, and to ensure sufficient production capacity at launch. Our new manufacturing facilities for medical dressings, skin rejuvenation

products and biomedical materials are designed to have a total annual production capacity of approximately 100.1 million units to support our expanding business in these segments for the foreseeable future;

(iii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for the construction of new facilities for functional foods and foods for special medical purposes. The new facilities will be designed to produce functional foods that are currently in our pipeline, such as *Panax Notoginseng* and Red Rice Tablets and nutritional food, which require separate production lines to the existing production lines we currently have for functional foods, which are primarily designed for our Shengan Capsule. Separate production lines are required because (a) the functional foods and food for special medical purposes in our pipeline will be in various forms such as tablets, powder, liquid, and capsules, and a separate production line is required for each form of product; (b) the functional foods and food for special medical purposes in our pipeline require different production techniques and production procedures from those for Shengan Capsule; and (c) the production environment of food for special medical purposes in our pipeline is different from that for Shengan Capsule, as required by relevant laws and regulations.

While the rare ginsenoside technology-based functional food market has traditionally been limited by high production costs and high technological requirements needed to transform prototype ginsenosides into rare ginsenosides, Frost & Sullivan expects that advancements in production technology, as well as greater emphasis on health by the consumers will drive significant growth to reach RMB1,561.4 million in 2027 in China. See "Industry Overview – Overview of Ginsenosides." Furthermore, functional foods in our pipeline contain not only ginsenosides but also other bioactive materials such as *Panax Notoginseng* and *Angelica*, and the market of the functional foods in our pipeline is expected to be larger than the rare ginsenoside technology-based functional food market. We believe that we can capture such market potential for functional foods and foods for special medical purpose with our current pipeline products, because we can leverage our market leadership as the second-largest rare ginsenosides technology-based functional food company and our existing sales and marketing infrastructure. We plan to implement targeted marketing strategies that are designed at achieving awareness of health benefits of our rare ginsenosides and other bioactive materials.

Taking into consideration the potential demand for our functional foods and food for special medical purposes, as well as the expected approval timing of our pipeline products in as early as post-2023, we plan to commence production for new manufacturing facilities for functional foods and foods for special medical purposes, with a designed total annual production capacity of approximately five million units to support the production of our seven pipeline products and future additions to our pipeline as we continue our R&D efforts in this field, and our overall long-term business plan in this segment;

(iv) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for the expansion of existing manufacturing facilities for recombinant collagen from 10,800 kg to a designed total annual production capacity of approximately 212,500 kg, and rare ginsenosides from 630.0 kg to a designed total annual production capacity of approximately 267,800 kg. As we anticipate sales of our recombinant collagen-based products to continue to grow, and to launch new pipeline products (in particular, skin rejuvenation products) with a potential to consume substantially more quantities of recombinant collagen, we are planning to significantly increase manufacturing capacity for recombinant collagen to meet the expected market demand, with construction expected to be completed in the first half of 2023. Furthermore, given we expect to continue to develop and launch new rare ginsenoside-based functional foods and food for special medical purpose in the coming years based on different types of ginsenosides, we are planning to commence construction for such capacity expansion in the second half of 2022 with a view to complete construction in the second half of 2024. In addition to use ginsenosides as the raw materials for our products, we also plan to sell the ginsenosides we produced to other parties in the market in the future. See "Business – Manufacturing – Expansion Plan";

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to enhance our omni-channel sales and distribution network, and implement our science- and knowledge-driven marketing initiatives to enhance our brand recognition. In particular, we plan to allocate:

  (i) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to expand our online direct sales channels, as well as carry out online marketing activities, in the next five years, in order to increase our online sales, including:

    a. approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to further expand our online direct sales channels with both major and emerging e-commerce and social media platforms. For major e-commerce and social media platforms such as Tmall, JD.com, Tencent and Pinduoduo, we plan to purchase various service packages from the platforms, and enhance cooperation on high-quality

campaigns with the platforms to increase our sales through DTC stores. For emerging e-commerce and social media platforms such as Douyin, Kuaishou, Xiaohongshu, Zhihu, and Bilibili, we plan to increase our online sales through enhanced traffic and campaign cooperation with such platforms. Our investments made to the e-commerce and social media platforms are expected to have near-term impacts on our sales;

b. approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to invest in online marketing activities and communicate with consumers on the value proposition of our brands. Under our science- and knowledge-driven marketing philosophy, we plan to further raise our brand awareness through activities such as (x) collaborating with cosmetics formula-savvy beauty bloggers, dermatology-focusing influencers, key opinion consumers and mid-end KOLs to strengthen our content marketing; (y) cultivating our in-house livestreaming and in-house content creation capabilities; and (z) carrying out advertising campaigns and endorsing variety shows and events. Spending on general branding and marketing activities is expected to enhance our sales over time. We have established a proven marketing evaluation model to monitor the effectiveness and conversion of our marketing activities and we will continue to use a prudent marketing strategy to ensure a profitable sales return;

(ii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], in the next five years, to expand our offline distribution and direct sales channels, as well as carry out offline marketing activities, including:

a. approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to expand our offline distribution and direct sales channels, specifically,

- we plan to invest [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], in the next five years to further expand our reach by partnering with qualified distributors. With the expected launch of our new product categories, we intend to invest in our existing distribution network for them to sell more of our pipeline products. In addition, we will make investments to further expand our offline distribution network. We aim to increase our presence in the northwest and south central regions of China and double our medical institutions coverage by 2025;

- we plan to invest [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], in the next five years to further build up our offline direct sales to pharmacy chains, cosmetic store chains and supermarket chains, and establish our own physical presence in shopping malls, mid-to-high end cosmetic stores and supermarkets in high-traffic areas;

b. approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to continue increasing our offline marketing activities, as well as expanding our offline customer base, through celebrity endorsement, establishment of our offline marketing center, participation in academic conferences and industry seminars, as well as traditional advertisements;

(iii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], to expand our sales and marketing team. Given the online sales in beauty and health sector has increasingly become mainstream, as well as our focus on growing our online presence, we intend to prioritize recruiting personnel with extensive experience in online sales and marketing. In the next four years, we plan to recruit approximately 150 sales persons, mainly in Xi'an and Hangzhou, especially for people with experience in e-commerce operation, data analysis and offline sales experience. We also plan to enhance our in-house live streaming team and target to recruit 50 personnel mainly in Xi'an and Hangzhou in the next four years. In addition, we plan to further grow our marketing team, and recruit 50 marketing personnel mainly in Shanghai in the next four years;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for the enhancement of our operation and information systems, including (i) procurement of software and hardware, (ii) development of an integrated hybrid cloud infrastructure through investments in hardware such as servers and internet devices, and (iii) recruitment of IT specialists, including software developers and IT engineers; and

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], for working capital and general corporate uses.

In the event that the [**REDACTED**] is set at the maximum [**REDACTED**] or the minimum [**REDACTED**] of the indicative [**REDACTED**], the net [**REDACTED**] of the [**REDACTED**] will increase or decrease by approximately HK$[**REDACTED**], respectively.

The additional net [**REDACTED**] that we would receive if the [**REDACTED**] was exercised in full would be (i) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the maximum [**REDACTED**] of the indicative [**REDACTED**]), (ii) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**]) and (iii) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the minimum [**REDACTED**] of the indicative [**REDACTED**]).

To the extent that the net [**REDACTED**] from the [**REDACTED**] are either more or less than expected, we will adjust our allocation of the net [**REDACTED**] for the above purposes on a pro rata basis.

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong or the PRC. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

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The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GIANT BIOGENE HOLDING CO., LTD., GOLDMAN SACHS (ASIA) L.L.C. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Giant Biogene Holding Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-79, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the five months ended 31 May 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022 and the statements of financial position of the Company as at 31 December 2021 and 31 May 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-79 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date], 2022 (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in Note 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in Notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022 and the Company as at 31 December 2021 and 31 May 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in Notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises 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 five months ended 31 May 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes

us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]
Certified Public Accountants
Hong Kong
[Date], 2022

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	*5*	956,702	1,190,479	1,552,486	520,598	723,035
Cost of sales		(159,990)	(183,410)	(198,149)	(72,977)	(108,382)
Gross profit		796,712	1,007,069	1,354,337	447,621	614,653
Selling and distribution expenses		(93,788)	(158,422)	(346,211)	(94,152)	(195,792)
Administrative expenses		(28,845)	(32,992)	(72,274)	(24,300)	(42,748)
Research and development costs		(11,400)	(13,381)	(24,954)	(8,055)	(14,241)
Other expense		–	(2,344)	(2,954)	(762)	(695)
Other income	*5*	31,166	21,386	33,155	13,664	16,847
Other gains or losses, net	*6*	(15,825)	149,447	32,144	7,844	(8,955)
(Provision for)/reversal of impairment losses on financial assets, net		(1,024)	2,479	(326)	156	(570)
PROFIT BEFORE TAX	*7*	676,996	973,242	972,917	342,016	368,499
Income tax expense	*10*	(101,816)	(146,757)	(144,785)	(52,501)	(54,872)
PROFIT FOR THE YEAR/PERIOD		575,180	826,485	828,132	289,515	313,627
Attributable to:						
Owners of the parent		552,260	826,450	828,132	289,515	313,627
Non-controlling interests		22,920	35	–	–	–
		575,180	826,485	828,132	289,515	313,627
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		575,180	826,485	828,132	289,515	313,627
Attributable to:						
Owners of the parent						
Ordinary shareholders of the parent		552,260	826,450	808,809	289,515	223,205
Preferred shareholders of the parent		–	–	19,323	–	90,422
Non-controlling interests		22,920	35	–	–	–
		575,180	826,485	828,132	289,515	313,627
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*12*					
Basic (RMB yuan)		0.55	0.83	0.83	0.29	0.33
Diluted (RMB yuan)		0.55	0.83	0.83	0.29	0.30

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	As at 31 May 2022 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	258,722	240,363	274,336	361,845
Investment properties	*14*	–	26,087	24,170	–
Other intangible assets	*15*	9,154	8,782	7,598	7,411
Right-of-use assets	*16*	41,218	40,351	59,190	58,360
Prepayments, other receivables and other assets, non-current	*19*	25,332	50,197	70,240	51,894
Deferred tax assets	*26*	4,256	1,230	1,352	1,783
Total non-current assets		338,682	367,010	436,886	481,293
CURRENT ASSETS					
Inventories	*17*	50,863	64,656	89,394	84,390
Trade and bills receivables	*18*	17,260	54,523	65,639	51,599
Prepayments, other receivables and other assets, current	*19*	16,289	7,460	27,682	72,153
Amounts due from related parties	*32*	554,897	201,310	–	–
Financial assets at fair value through profit or loss ("FVTPL")	*20*	746,623	1,588,344	155,607	146,023
Cash and cash equivalents	*21*	72,323	367,805	7,103,000	922,187
Total current assets		1,458,255	2,284,098	7,441,322	1,276,352
CURRENT LIABILITIES					
Trade payables	*22*	22,779	31,946	23,612	25,888
Other payables and accruals	*23*	77,741	93,856	6,362,837	98,258
Amount due to a related party	*32*	–	–	–	2,828
Tax payable		122,867	144,234	71,355	19,144
Dividend payables		397,000	1,900,000	367,460	–
Deferred income	*25*	1,620	2,681	1,500	1,500
Contract liabilities	*24*	4,047	1,173	16,278	11,208
Total current liabilities		626,054	2,173,890	6,843,042	158,826
NET CURRENT ASSETS		832,201	110,208	598,280	1,117,526
TOTAL ASSETS LESS CURRENT LIABILITIES		1,170,883	477,218	1,035,166	1,598,819

	Notes	As at 31 December 2019	2020	2021	As at 31 May 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Deferred income	*25*	19,422	17,973	17,584	19,059
Deferred tax liabilities	*26*	12	1,242	771	506
Total non-current liabilities		19,434	19,215	18,355	19,565
Net assets		1,151,449	458,003	1,016,811	1,579,254
EQUITY					
Equity attributable to owners of the parent					
Ordinary share capital	*27*	–	–	58	37
Preferred share capital	*27*	–	–	23	24
Treasury shares	*27*	–	–	(1)	(1)
Reserves	*28*	1,147,698	458,003	1,016,731	1,579,194
		1,147,698	458,003	1,016,811	1,579,254
Non-controlling interests		3,751	–	–	–
Total equity		1,151,449	458,003	1,016,811	1,579,254

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Ordinary share capital *RMB'000*	Share premium *RMB'000*	Surplus reserve *RMB'000*	Other reserve *RMB'000*	Retained profits *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
As at 1 January 2019	–	–	37,326	36,547	838,088	63,472	975,433
Profit and total comprehensive income for the year	–	–	–	–	552,260	22,920	575,180
Transfer from retained profits	–	–	6,599	–	(6,599)	–	–
Capital injection into a subsidiary by Dr. Fan and Mr. Yan (the "Co-founders") *(Note 28)*	–	–	–	5,000	–	–	5,000
Capital injection into a subsidiary by non-controlling interests	–	–	–	–	–	1,000	1,000
Acquisition of a subsidiary under common control *(Note 28)*	–	–	–	(8,164)	–	–	(8,164)
Acquisition of non-controlling interests in Xi'an Giant Biogene by the Co-founders *(Note 28)*	–	–	–	83,641	–	(83,641)	–
Dividends declared by the subsidiaries to the Co-founders	–	–	–	–	(397,000)	–	(397,000)
As at 31 December 2019	–	–	43,925	117,024	986,749	3,751	1,151,449
As at 1 January 2020	–	–	43,925	117,024	986,749	3,751	1,151,449
Profit and total comprehensive income for the year	–	–	–	–	826,450	35	826,485
Transfer from retained profits	–	–	2,352	–	(2,352)	–	–
Capital injection into a subsidiary by the Co-founders *(Note 28)*	–	–	–	9,000	–	–	9,000
Dividends declared by the subsidiaries to the Co-founders and non-controlling interests	–	–	–	–	(1,503,000)	(1,505)	(1,504,505)
Recognition of equity-settled share-based payments *(Note 29)*	–	–	–	592	–	–	592
Acquisition of non-controlling interests *(Note 28)*	–	–	–	(10,566)	–	(2,281)	(12,847)
Acquisition of a subsidiary under common control *(Note 28)*	–	–	–	(12,171)	–	–	(12,171)
As at 31 December 2020	–	–	46,277	103,879	307,847	–	458,003

	Attributable to owners of the parent							
	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*	**Total** *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 Group 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 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

	Attributable to owners of the parent							
	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*	**Total** *RMB'000*
As at 1 January 2021	–	–	–	–	46,277	103,879	307,847	458,003
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	–	–	289,515	289,515
Recognition of equity-settled share-based payments *(note 29)* (unaudited)	–	–	–	–	–	6,811	–	6,811
As at 31 May 2021 (unaudited)	–	–	–	–	46,277	110,690	597,362	754,329
As at 1 January 2022	58	23	(1)	7,159,716	46,277	(6,307,781)	118,519	1,016,811
Profit and total comprehensive income for the period	–	–	–	–	–	–	313,627	313,627
Redemption of ordinary shares *(note 27)*	(21)	–	–	(6,359,817)	–	6,359,838	–	–
Capital contribution from Series A preferred shareholders *(note 27)*	–	1	–	241,890	–	–	–	241,891
Recognition of equity-settled share-based payments *(note 29)*	–	–	–	–	–	6,925	–	6,925
As at 31 May 2022	37	24	(1)	1,041,789	46,277	58,982	432,146	1,579,254

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Five months ended 31 May 2021 RMB'000 (unaudited)	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		676,996	973,242	972,917	342,016	368,499
Adjustments for:						
Interest income	5	(16,181)	(9,882)	(9,408)	(5,041)	(4,935)
Provision for impairment of trade and bills receivables	7	328	245	48	149	628
Provision for/(reversal of) impairment of prepayments, other receivables and other assets	7	585	(408)	278	(305)	(58)
Provision for/(reversal of) impairment of amounts due from related parties	7	111	(2,316)	–	–	–
Provision for/(reversal of) impairment of inventories	7	550	650	(130)	919	120
Fair value (gains)/losses on financial assets at FVTPL	6	(162)	(154,778)	(14,474)	(10,231)	7,848
Depreciation of property, plant and equipment	7	16,135	18,788	20,111	7,964	9,327
Depreciation of investment properties	7	–	1,439	1,917	799	479
Amortization of other intangible assets	7	1,074	1,197	1,314	547	586
Depreciation of right-of-use assets	7	673	867	868	313	830
Loss on disposal of property, plant and equipment		5	232	355	–	41
Gain on disposal of leasehold land		–	–	(173)	–	–
Foreign exchange differences, net	6	–	–	(21,606)	–	1,719
Equity-settled share award expenses	29	–	592	16,487	6,811	6,925
(Increase)/decrease in inventories		(9,595)	(14,443)	(24,608)	8,675	4,884
(Increase)/decrease in trade and bills receivables		(5,317)	(37,508)	(11,164)	6,241	13,412
Decrease/(increase) in prepayments and other receivables		60,371	9,237	(19,327)	(16,253)	(41,666)
(Increase)/decrease in amounts due from the related parties		(39,263)	123,630	–	–	–
Increase/(decrease) in trade payables		4,296	9,167	(8,334)	(6,541)	2,276
Increase/(decrease) in other payables and accruals		20,503	38,569	(7,948)	(11,781)	(9,924)
Increase/(decrease) in deferred income		4,642	(388)	(1,570)	(1,806)	1,475
Increase/(decrease) in contract liabilities		211	(2,874)	15,105	10,775	(5,070)
Cash generated from operations		715,962	955,258	910,658	333,251	357,396
Income tax paid		(59,505)	(121,134)	(218,257)	(133,911)	(107,779)
Net cash flows generated from operating activities		656,457	834,124	692,401	199,340	249,617

	Notes	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES						
Purchase of items of property, plant and equipment		(85,473)	(75,506)	(74,999)	(22,716)	(33,097)
Proceeds from disposal of leasehold land		–	–	16,528	–	–
Purchase of leasehold land		(29,252)	–	(36,062)	–	–
Purchase of financial assets at FVTPL		(1,491,184)	(5,084,378)	(3,925,113)	(1,936,900)	(411,000)
Proceeds from disposal of financial assets at FVTPL		984,204	4,397,435	5,372,324	3,014,273	412,736
Repayment of loans from the related parties		61,633	445,073	201,310	201,310	–
Loans to the related parties		(45,771)	(212,800)	–	–	–
Additions to other intangible assets		(184)	(825)	(130)	(29)	(399)
Interest received		16,181	9,882	9,408	5,041	4,935
Net cash flows (used in)/generated from investing activities		(589,846)	(521,119)	1,563,266	1,260,979	(26,825)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES						
Dividends paid to non-controlling shareholders by the subsidiaries		–	(1,505)	–	–	–
Dividends paid to the Co-founders		–	–	(2,550,000)	(1,520,000)	(367,460)
Capital contribution from series A preferred shareholders		–	–	7,094,110	–	241,891
Issue of ordinary share capital, net		–	–	57	–	–
Acquisition of interest in subsidiaries under common control		(8,164)	(12,171)	(68,309)	–	–
Capital injection into subsidiaries by the Co-founders		5,000	9,000	–	–	–
Capital injection into a subsidiary by non-controlling interests		1,000	–	–	–	–
Payments for [**REDACTED**] expenses		–	–	(314)	–	(2,558)
Acquisition of non-controlling interests		–	(12,847)	–	–	–
Redemption of ordinary shares		–	–	–	–	(6,233,020)
Net cash flows (used in)/generated from financing activities		(2,164)	(17,523)	4,475,544	(1,520,000)	(6,361,147)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		64,447	295,482	6,731,211	(59,681)	(6,138,355)

	Notes	Year ended 31 December			Five months ended 31 May	
		2019	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Effect of foreign exchange rate changes		–	–	3,984	–	(42,458)
Cash and cash equivalents at beginning of the year/period		7,876	72,323	367,805	367,805	7,103,000
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD		72,323	367,805	7,103,000	308,124	922,187
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		72,323	367,805	7,103,000	308,124	922,187

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December, 2021 RMB'000	As at 31 May 2022 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries		638,625	638,625
Total non-current assets		638,625	638,625
CURRENT ASSETS			
Prepayments, other receivables and other assets, current	*19*	1,173	3,920
Amount due from a subsidiary		–	431,863
Cash and cash equivalents	*21*	6,460,381	2,894
Total current assets		6,461,554	438,677
CURRENT LIABILITIES			
Other payables and accruals	*23*	6,282,320	6,992
Amount due to a subsidiary		2,088	19,142
Amount due to a related party		–	2,828
Total current liabilities		6,284,408	28,962
NET CURRENT ASSETS		177,146	409,715
TOTAL ASSETS LESS CURRENT LIABILITIES		815,771	1,048,340
Net assets		815,771	1,048,340
EQUITY			
Ordinary share capital	*27*	58	37
Preferred share capital	*27*	23	24
Treasury shares	*27*	(1)	(1)
Reserves	*28*	815,691	1,048,280
Total equity		815,771	1,048,340

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group underwent the reorganization as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Document (the "Reorganization"). During the Relevant Periods, 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").

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of which are as follows:

Name	Notes	Place and date of incorporation and place of operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Giant Beauty Holding Co., Ltd.	(a)	BVI 30 July 2021	USD1	100.00%	–	Investment holding
Hongkong YaXin Holding Co., Ltd.	(a)	Hong Kong 17 August 2021	HKD1	–	100.00%	Investment holding
Giant Biogene Hong Kong Limited	(a)	Hong Kong 18 August 2021	HKD1	–	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 May 8, 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
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") (西安欣昔生物技術有限公司)	(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") (陝西巨悠欣昔生物科技有限公司)	(a)	Xi'an, PRC 13 July 2022	RMB10,000,000	–	60%	Sale of food and functional skincare products

Note:

(a) There were no audited financial statements prepared for these entities.

* 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.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the sub-section headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group on 29 October 2021 after reorganization.

Xi'an Giant Biogene is under common control of the Co-founders before and after the Group Reorganization. Therefore, the acquisition of Xi'an Giant Biogene is accounted for as business combination under common control by applying the principles of merger accounting.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods include the consolidated results and cash flows of the Company and its subsidiaries now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at the end of each of the Relevant Periods include the consolidated assets and liabilities of the Company and its subsidiaries now comprising the Group as if the current group structure had been in existence at those dates. No adjustments are made to reflect fair values or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which comprise all standards and interpretations approved by the IASB.

All IFRSs effective for the accounting period commencing from 1 January 2022, including relevant transitional provisions, have been early adopted by the Group 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.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Group and its subsidiaries for the Relevant Periods. 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).

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.

2.3 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 Historical Financial Information.

Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
IFRS 17	*Insurance Contracts*[2, 3]
Amendments to IFRS 17	*Insurance Contracts*[2, 3]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[2, 4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2, 5]
Amendments to IAS 1	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]

[1] No mandatory effective date yet determined but available for adoption

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

[3] As a consequence of the amendments to IFRS 17 issued in October 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and 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

[4] An entity that chooses to apply the transition option set out in this amendment shall apply it on initial application of IFRS 17

[5] As a consequence of the amendments to IAS 1 issued in August 2020, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

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.

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.

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.

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.

Fair value measurement

The Group measures its financial products at fair value through profit or loss at the end of each of the Relevant Periods. 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 of the Relevant Periods.

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 of the Relevant Periods 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

(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%
Plant and machinery	9.50% – 19.00%
Motor vehicles	19.00%
Furniture, fixtures and equipment	19.00% – 31.67%

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 of the Relevant Periods.

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.

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.

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.

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

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., 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:

Category	Estimated useful lives
Leasehold land	50 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.

(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.

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.

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 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.

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.

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.

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 each of the Relevant Periods 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 each of the Relevant Periods, 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 each of the Relevant Periods 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.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

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 realize 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.

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).

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 as consideration 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 Historical Financial Information.

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 of the Relevant Periods 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.

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.

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 Historical Financial Information 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 each of the Relevant Periods. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information 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 each of the Relevant Periods, 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 each of the Relevant Periods, 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 Historical Financial Information.

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 Historical Financial Information.

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 Relevant Periods, 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 RMB499,274,000, RMB586,939,000, RMB454,459,000, RMB180,745,000 and RMB187,367,000 (unaudited) was derived from sales to Xi'an Chuangkecun Electronic Commerce Limited ("Xi'an Chuangkecun") during the Relevant Periods and the five months ended 31 May 2021, respectively, accounting for approximately 52.19%, 49.30%, 29.27%, 25.00% and 35.99% of the total revenue for the Relevant Periods and the five months ended 31 May 2021. 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 during the Relevant Periods and the five months ended 31 May 2021.

5. REVENUE AND OTHER INCOME

Revenue

An analysis of revenue is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue from contracts with customers	956,702	1,190,479	1,552,486	520,598	723,035

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Type of goods or services					
Sale of goods	956,702	1,190,479	1,552,486	520,598	723,035
Geographical market					
Mainland China	956,702	1,190,479	1,552,486	520,598	723,035
Timing of revenue recognition					
Goods transferred at a point in time	956,702	1,190,479	1,552,486	520,598	723,035

The following table shows the amounts of revenue recognized in the Relevant Periods that were included in the contract liabilities at the beginning of the Relevant Periods:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue recognized that was included in contract liabilities at the beginning of the year:					
Sale of goods	3,597	4,047	1,173	1,173	16,278

(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, expect for certain customers where payment is due within 7 days but not later than the end of the month, or within 7 days to 180 days from goods delivery.

Other income

An analysis of other income is as follows:

The Group

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other income					
Government grants*	14,985	9,136	20,770	7,392	1,230
Interest income	16,181	9,882	9,408	5,041	4,935
Rental income	–	2,368	2,977	1,231	1,042
Handling fee for individual withholding tax	–	–	–	–	9,640
	31,166	21,386	33,155	13,664	16,847

* 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) government grants and subsidies related to income have been 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 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			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Foreign exchange gains/(losses), net	–	–	21,606	–	(1,719)
Fair value gains/(losses) on financial assets at FVTPL	162	154,778	14,474	10,231	(7,848)
Litigation compensation	(10,118)	–	–	–	–
Others	(5,869)	(5,331)	(3,936)	(2,387)	612
	(15,825)	149,447	32,144	7,844	(8,955)

7. PROFIT BEFORE TAX

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

		Year ended 31 December			Five months ended 31 May	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Cost of inventories, consumables and customized products		119,340	137,730	143,878	57,891	80,360
Depreciation of property, plant and equipment	*13*	16,135	18,788	20,111	7,964	9,327
Depreciation of investment properties	*14*	–	1,439	1,917	799	479
Depreciation of right-of-use assets	*16*	673	867	868	313	830
Amortization of intangible assets	*15*	1,074	1,197	1,314	547	586
Provision for impairment of trade and bills receivables	*18*	328	245	48	149	628
Provision for/(reversal of) impairment of prepayments, other receivables and other assets		585	(408)	278	(305)	(58)
Provision for/(reversal of) impairment of amounts due from related parties		111	(2,316)	–	–	–
Government grants	*5*	(14,985)	(9,136)	(20,770)	(7,392)	(1,230)
Marketing and promotion expenses		89,339	152,161	329,476	88,778	184,191
Bank interest income	*5*	(16,181)	(9,882)	(9,408)	(5,041)	(4,935)
Foreign exchange (losses)/gains, net	*6*	–	–	(21,606)	–	1,719
(Provision for)/reversal of impairment of inventories		550	650	(130)	919	120
Employee benefit expenses (including directors' and chief executive's remuneration *(Note 8)*):						
– Wages, salaries and allowances		13,736	27,528	43,945	17,372	26,445
– Pension scheme contributions, social welfare and other welfare		3,120	1,468	11,151	5,275	7,994
– Equity-settled share award expense *(Note 29)*		–	592	16,487	6,811	6,925
Other outsourcing labor costs		14,227	9,164	2,359	598	2,330
Auditor's remuneration		–	–	–	–	2,367
[**REDACTED**] expenses		–	–	6,647	–	15,567

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			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Administrative expenses	–	473	13,123	5,420	5,513
Research and development costs	–	69	1,940	802	814
Selling and distribution expenses	–	27	765	316	321
Cost of sales	–	23	659	273	277
	–	592	16,487	6,811	6,925

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Certain directors received remuneration from the Company for their appointment as executive, non-executive and independent non-executive directors. The remuneration of these directors (including those as employees of the entities now comprising the Group prior to be directors of the Company) as recorded in the Relevant Periods of the Company is set out below:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Fees:	–	–	–	–	–
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	569	2,259	2,005	659	696
Pension scheme contributions	133	106	216	90	90
Equity-settled share award expense	–	387	10,878	4,496	4,567
	702	2,752	13,099	5,245	5,353

Executive directors, Non-executive directors the chief executive

	Salaries, bonus, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
Year ended 31 December 2019				
Executive directors				
Dr. Fan Daidi *(a)*	–	–	–	–
Mr. Yan Jianya *(b)*	–	–	–	–
Ms. Ye Juan *(c)*	277	68	–	345
Ms. Fang Juan *(d)*	292	65	–	357
Non-executive directors				
Mr. Chen Jinhao *(e)*	–	–	–	–
Independent non-executive directors				
Mr. Huang Jin *(f)*	–	–	–	–
Mr. Shan Wenhua *(f)*	–	–	–	–
Ms. Wong Sze Wing *(f)*	–	–	–	–
Total	569	133	–	702

	Salaries, bonus, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
Year ended 31 December 2020				
Executive directors				
Dr. Fan Daidi *(a)*	–	–	–	–
Mr. Yan Jianya *(b)*	850	36	318	1,204
Ms. Ye Juan *(c)*	703	35	30	768
Ms. Fang Juan *(d)*	706	35	39	780
Non-executive directors				
Mr. Chen Jinhao *(e)*	–	–	–	–
Independent non-executive directors				
Mr. Huang Jin *(f)*	–	–	–	–
Mr. Shan Wenhua *(f)*	–	–	–	–
Ms. Wong Sze Wing *(f)*	–	–	–	–
Total	2,259	106	387	2,752

	Salaries, bonus, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
Year ended 31 December 2021				
Executive directors				
Dr. Fan Daidi *(a)*	–	–	–	–
Mr. Yan Jianya *(b)*	600	72	8,939	9,611
Ms. Ye Juan *(c)*	701	72	831	1,604
Ms. Fang Juan *(d)*	704	72	1,108	1,884
Non-executive directors				
Mr. Chen Jinhao *(e)*	–	–	–	–
Independent non-executive directors				
Mr. Huang Jin *(f)*	–	–	–	–
Mr. Shan Wenhua *(f)*	–	–	–	–
Ms. Wong Sze Wing *(f)*	–	–	–	–
Total	2,005	216	10,878	13,099

	Salaries, bonus, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
Five months ended 31 May 2021 (unaudited)				
Executive directors				
Dr. Fan Daidi *(a)*	–	–	–	–
Mr. Yan Jianya *(b)*	250	30	3,694	3,974
Ms. Ye Juan *(c)*	204	30	344	578
Ms. Fang Juan *(d)*	205	30	458	693
Non-executive directors	–	–	–	–
Mr. Chen Jinhao *(e)*	–	–	–	–
Independent non-executive directors				
Mr. Huang Jin *(f)*	–	–	–	–
Mr. Shan Wenhua *(f)*	–	–	–	–
Ms. Wong Szewing *(f)*	–	–	–	–
Total	659	90	4,496	5,245

	Salaries, bonus, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
Five months ended 31 May 2022				
Executive directors				
Dr. Fan Daidi *(a)*	–	–	–	–
Mr. Yan Jianya *(b)*	281	30	3,753	4,064
Ms. Ye Juan *(c)*	207	30	349	586
Ms. Fang Juan *(d)*	208	30	465	703
Non-executive directors				
Mr. Chen Jinhao *(e)*	–	–	–	–
Independent non-executive directors				
Mr. Huang Jin *(f)*	–	–	–	–
Mr. Shan Wenhua *(f)*	–	–	–	–
Ms. Wong Szewing *(f)*	–	–	–	–
Total	696	90	4,567	5,353

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) Mr. Huang Jin, Mr. Shan Wenhua and Ms. Wong Sze Wing were appointed as independent non-executive directors 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 Relevant Periods.

During the Relevant Periods, three directors were granted share options, in respect of their services to the Group, under the equity incentive plan of the Company, further details of which are set out in Note 29 to the Historical Financial Information. 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 Historical Financial Information for the Relevant Periods is included in the above directors' and chief executive's remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the five months ended 31 May 2021 included two, three, three, three and three of the then directors, respectively, details of whose remuneration are set out in Note 8 above. Details of the remuneration for the three, two, two, two and two highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods and the five months ended 31 May 2021 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, bonuses, allowances and benefits in kind	425	861	1,036	268	415
Pension scheme contributions	187	51	175	42	60
Equity-settled share award expense	–	40	1,136	378	384
	612	952	2,347	688	859

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

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Nil to HKD1,000,000	3	2	1	2	2
HKD2,500,001 to HKD3,000,000	–	–	1	–	–
	3	2	2	2	2

During the Relevant Period and the five months ended 31 May 2021, 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 Historical Financial Information for the Relevant Periods and the five months ended 31 May 2021 are 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% 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 Relevant Periods based on the Guidance Catalogue 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 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.

The income tax expense of the Group for the Relevant Periods and the five months ended 31 May 2021 is analyzed as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax:					
Charge for the year/period	103,239	142,501	145,378	52,341	55,568
Deferred tax *(Note 26)*	(1,423)	4,256	(593)	160	(696)
Total tax charge for the year/period	101,816	146,757	144,785	52,501	54,872

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			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	676,996	973,242	972,917	342,016	368,499
Tax at the applicable tax rate of 25%	169,249	243,311	243,229	85,504	92,125
Effect of preferential tax rates of some subsidiaries	(68,078)	(97,475)	(99,598)	(34,295)	(36,764)
Expenses not deductible for tax	1,615	2,222	4,098	1,778	1,616
Tax losses not recognized	5	66	503	722	48
Additional deductible allowance for research and development expenses	(975)	(1,367)	(3,447)	(1,208)	(2,153)
Tax charge at the Group's effective rate	101,816	146,757	144,785	52,501	54,872

11. DIVIDENDS

During the Relevant Periods, certain subsidiaries of the Company, declared cash dividends to their then shareholders or non-controlling shareholders as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Dividends declared by the Company's subsidiaries	397,000	1,504,505	1,017,460	–	–

Amount of RMB Nil, RMB1,505,000, RMB2,550,000,000, RMB367,460,000 and RMB1,520,000,000 were paid during the Relevant Periods and the five months ended 31 May 2021.

No dividend was paid or declared by the Company during the Relevant Periods and the five months ended 31 May 2021.

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/period attributable to ordinary equity holders of the parent for the Relevant Periods and the five months ended 31 May 2021 of approximately RMB552,260,000, RMB826,450,000, RMB808,809,000, RMB223,205,000 and RMB289,515,000 (unaudited) and the weighted average number of ordinary shares of 1,000,000,000, 1,000,000,000, 974,794,521, 683,089,459 and 1,000,000,000 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 for the year ended 31 December 2021 and the five months ended 31 May 2022 is based on the profit for the year/period 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 Original Plan 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 the year/period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of options under the Modified Plan as disclosed in Note 29, as well as on the conversion of Series A preferred shares.

The Group had no potentially dilutive shares in issue during the year ended 31 December 2019. No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2020 and the five months ended 31 May 2021 in respect of a dilution as the impact of shares under the Original Plan had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Earnings					
Profit attributable to ordinary shareholders of the parent, used in the basic earnings per share calculation:	552,260	826,450	808,809	289,515	223,205
Earning attributable to preferred shareholders of the parent	–	–	19,323	–	90,422
Earning attributable to non-controlling interests upon exercise of shares under the Original Plan	–	–	(706)	–	–
	552,260	826,450	827,426	289,515	313,627

	Year ended 31 December			Five months ended 31 May	
Number of shares	**2019**	**2020**	**2021**	**2021**	**2022**
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation	1,000,000,000	1,000,000,000	974,794,521	1,000,000,000	683,089,459
Effect of dilution – weighted average number of ordinary shares:					
Share options	–	–	127,469	–	3,644,992
Convertible preferred shares	–	–	26,007,960	–	366,072,925
	1,000,000,000	1,000,000,000	1,000,929,950	1,000,000,000	1,052,807,376

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019							
As at 1 January 2019:							
Cost	12,156	–	39,424	1,094	3,827	152,705	209,206
Accumulated depreciation	(3,566)	–	(5,954)	(307)	(1,524)	–	(11,351)
Net carrying amount	8,590	–	33,470	787	2,303	152,705	197,855
As at 1 January 2019, net of accumulated depreciation	8,590	–	33,470	787	2,303	152,705	197,855
Additions	–	–	9,080	648	1,055	66,224	77,007
Disposals	–	–	(5)	–	–	–	(5)
Transfers	186,910	–	1,200	–	–	(188,110)	–
Depreciation provided during the year	(11,020)	–	(4,065)	(320)	(730)	–	(16,135)
As at 31 December 2019, net of accumulated depreciation	184,480	–	39,680	1,115	2,628	30,819	258,722
As at 31 December 2019:							
Cost	199,066	–	49,695	1,742	4,882	30,819	286,204
Accumulated depreciation	(14,586)	–	(10,015)	(627)	(2,254)	–	(27,482)
Net carrying amount	184,480	–	39,680	1,115	2,628	30,819	258,722
31 December 2020							
As at 1 January 2020:							
Cost	199,066	–	49,695	1,742	4,882	30,819	286,204
Accumulated depreciation	(14,586)	–	(10,015)	(627)	(2,254)	–	(27,482)
Net carrying amount	184,480	–	39,680	1,115	2,628	30,819	258,722

	Buildings	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020, net of accumulated depreciation	184,480	–	39,680	1,115	2,628	30,819	258,722
Additions	–	1,862	2,930	1,075	1,675	20,645	28,187
Disposals	–	–	(205)	(23)	(4)	–	(232)
Transfers	–	–	578	–	–	(578)	–
Transfer to investment properties	(27,526)	–	–	–	–	–	(27,526)
Depreciation provided during the year	(12,517)	–	(4,991)	(486)	(794)	–	(18,788)
As at 31 December 2020, net of accumulated depreciation	144,437	1,862	37,992	1,681	3,505	50,886	240,363
As at 31 December 2020:							
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
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	144,437	1,862	37,992	1,681	3,505	50,886	240,363
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

	Buildings	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 May 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	23	2,564	2,734	26	61,378	73,186
Disposals	–	–	(40)	(1)	–	–	(41)
Transfers	6,296	–	176	–	–	(6,472)	–
Transfer from investment property	23,691	–	–	–	–	–	23,691
Depreciation provided during the period	(5,732)	(78)	(2,341)	(802)	(374)	–	(9,327)
As at 31 May 2022, net of accumulated depreciation	175,657	1,621	39,405	6,338	2,342	136,482	361,845
As at 31 May 2022:							
Cost	221,536	1,885	59,310	9,241	6,186	136,482	434,640
Accumulated depreciation	(45,879)	(264)	(19,905)	(2,903)	(3,844)	–	(72,795)
Net carrying amount	175,657	1,621	39,405	6,338	2,342	136,482	361,845

14. INVESTMENT PROPERTIES

The Group

	Total *RMB'000*
31 December 2020	
As at 1 January 2020 and 2019, 31 December 2019:	
Cost	–
Accumulated amortization	–
Net carrying amount	–
Cost as at 1 January 2020, net of accumulated amortization	–
Transfer from property, plant and equipment	27,526
Amortization provided during the year	(1,439)
As at 31 December 2020, net of accumulated amortization	26,087
As at 31 December 2020:	
Cost	27,526
Accumulated amortization	(1,439)
Net carrying amount	26,087
31 December 2021	
As at 1 January 2021:	
Cost	27,526
Accumulated amortization	(1,439)
Net carrying amount	26,087
Cost as at 1 January 2021, net of accumulated amortization	26,087
Amortization provided during the year	(1,917)
As at 31 December 2021, net of accumulated amortization	24,170
As at 31 December 2021:	
Cost	27,526
Accumulated amortization	(3,356)
Net carrying amount	24,170
31 May 2022	
As at 1 January 2022:	
Cost	27,526
Accumulated amortization	(3,356)
Net carrying amount	24,170

	Total
	RMB'000
Cost as at 1 January 2022, net of accumulated amortization	24,170
Amortization provided during the period	(479)
Transfer to property, plant and equipment	(23,691)
As at 31 May 2022, net of accumulated amortization	–
As at 31 May 2022:	
Cost	–
Accumulated amortization	–
Net carrying amount	–

15. OTHER INTANGIBLE ASSETS

The Group

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2019			
As at 1 January 2019:			
Cost	208	16,000	16,208
Accumulated amortization	(77)	(6,087)	(6,164)
Net carrying amount	131	9,913	10,044
Cost as at 1 January 2019, net of accumulated amortization	131	9,913	10,044
Additions	184	–	184
Amortization provided during the year	(30)	(1,044)	(1,074)
As at 31 December 2019, net of accumulated amortization	285	8,869	9,154
As at 31 December 2019:			
Cost	392	16,000	16,392
Accumulated amortization	(107)	(7,131)	(7,238)
Net carrying amount	285	8,869	9,154
31 December 2020			
As at 1 January 2020:			
Cost	392	16,000	16,392
Accumulated amortization	(107)	(7,131)	(7,238)
Net carrying amount	285	8,869	9,154
Cost as at 1 January 2020, net of accumulated amortization	285	8,869	9,154
Additions	825	–	825
Amortization provided during the year	(153)	(1,044)	(1,197)
As at 31 December 2020, net of accumulated amortization	957	7,825	8,782
As at 31 December 2020:			
Cost	1,217	16,000	17,217
Accumulated amortization	(260)	(8,175)	(8,435)
Net carrying amount	957	7,825	8,782

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
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 as 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
31 May 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 as at 1 January 2022, net of accumulated amortization	817	6,781	7,598
Additions	399	–	399
Amortization provided during the period	(151)	(435)	(586)
As at 31 May 2022, net of accumulated amortization	1,065	6,346	7,411
As at 31 May 2022:			
Cost	1,746	16,000	17,746
Accumulated amortization	(681)	(9,654)	(10,335)
Net carrying amount	1,065	6,346	7,411

16. RIGHT-OF-USE ASSETS

The Group as a lessee

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.

(a) Right-of-use assets

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

	Leasehold land *RMB'000*
As at 1 January 2019	12,639
Additions	29,252
Depreciation charge	(673)
As at 31 December 2019	41,218
As at 1 January 2020	41,218
Depreciation charge	(867)
As at 31 December 2020	40,351
As at 1 January 2021	40,351
Additions	36,062
Disposal	(16,355)
Depreciation charge	(868)
As at 31 December 2021	59,190
As at 1 January 2022	59,190
Depreciation charge	(830)
As at 31 May 2022	58,360

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

	Year ended 31 December			Five months ended 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	673	867	868	830
Total amount recognized in profit or loss	673	867	868	830

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 Relevant Periods and the five months ended 31 May 2021 was Nil, RMB2,368,000, RMB2,977,000, RMB1,042,000 and RMB1,231,000 (unaudited), respectively.

The undiscounted lease payments receivable by the Company in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	3,219	805	–
Over one year and within two years	–	805	–	–
	–	4,024	805	–

17. INVENTORIES

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	22,330	32,103	45,308	40,306
Finished goods	28,533	32,553	44,086	44,084
	50,863	64,656	89,394	84,390

18. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	17,711	55,219	66,383	44,921
Bills receivable	–	–	–	8,050
Impairment	(451)	(696)	(744)	(1,372)
	17,260	54,523	65,639	51,599

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 six 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 each of the Relevant Periods, based on the transaction dates and net of loss allowance, is as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	16,280	53,127	64,525	42,379
Over one year and within two years	687	618	572	723
Over two years and within three years	105	570	272	195
Over three years	188	208	270	252
	17,260	54,523	65,639	43,549

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	123	451	696	744
Impairment losses, net	328	245	48	628
At end of year	451	696	744	1,372

An impairment analysis is performed at the end of each of the Relevant Periods 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 end of each of the Relevant Periods 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 as at the end of each of the Relevant Periods using a provision matrix:

As at 31 December 2019

	Ageing				
	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Trade receivables (RMB'000)	16,403	834	141	333	17,711
Expected credit loss rate	0.75%	17.65%	25.53%	43.57%	2.55%
Expected credit losses (RMB'000)	(123)	(147)	(36)	(145)	(451)

As at 31 December 2020

	Ageing				
	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Trade receivables (RMB'000)	53,389	719	721	390	55,219
Expected credit loss rate	0.49%	14.05%	20.95%	46.69%	1.26%
Expected credit losses (RMB'000)	(262)	(101)	(151)	(182)	(696)

As at 31 December 2021

	Ageing				
	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
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)

As at 31 May 2022

	Ageing				
	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Trade receivables (RMB'000)	42,833	987	318	783	44,921
Expected credit loss rate	0.89%	26.77%	38.57%	67.90%	2.59%
Expected credit losses (RMB'000)	(454)	(264)	(123)	(531)	(1,372)

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
Prepayment of property, plant and equipment	25,332	50,197	70,240	51,894
Current:				
Prepayments	11,280	5,679	15,835	60,457
Value-added tax recoverable	–	–	6,697	–
Deposits and other receivables	6,041	2,405	4,879	8,620
Deferred [**REDACTED**] expenses	–	–	1,173	3,920
Impairment allowance	(1,032)	(624)	(902)	(844)
	16,289	7,460	27,682	72,153

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

The Company

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current:				
Deferred [**REDACTED**] expenses	–	–	1,173	3,920

20. FINANCIAL ASSETS AT FVTPL

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial products	746,623	1,588,344	155,607	146,023

The Group entered contracts in respect of financial products with an expected but not guaranteed rates of return ranging from 1.35% to 4.87% per annum and 7% to 9.8% per annum from banks and other financial institutions, respectively.

In addition, 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 Relevant Periods.

21. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	72,323	367,805	7,103,000	922,187
Denominated in				
RMB	72,323	367,805	71,134	905,972
USD	–	–	7,031,866	16,215

The Company

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	–	–	6,460,381	2,894
Denominated in				
USD	–	–	6,460,381	2,894

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 each of the Relevant Periods, based on the invoice date, is as follows:

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	19,479	30,593	22,710	24,440
Over one year and within two years	2,959	1,105	367	547
Over two years	341	248	535	901
	22,779	31,946	23,612	25,888

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

23. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contractual obligation for redemption of ordinary shares *(Note 32)*	–	–	6,276,587	–
Deposits and other payables	24,175	50,200	48,950	39,346
Payroll payable	8,575	12,137	20,697	19,595
Other tax payable	19,386	28,368	8,236	7,948
Accrued [**REDACTED**] expenses	–	–	5,733	6,992
Payables for purchase of property, plant and equipment	25,605	3,151	2,634	24,377
	77,741	93,856	6,362,837	98,258

The Company

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contractual obligation for redemption of ordinary shares	–	–	6,276,587	–
Accrued [**REDACTED**] expenses	–	–	5,733	6,992
	–	–	6,282,320	6,992

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

24. CONTRACT LIABILITIES

The Group

Details of contract liabilities are as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances received from customers				
Sales of products				
Current	4,047	1,173	16,278	11,208

25. DEFERRED INCOME

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants:				
Current	1,620	2,681	1,500	1,500
Non-current	19,422	17,973	17,584	19,059
	21,042	20,654	19,084	20,559

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 Group

The movements in deferred tax assets during the Relevant Periods are as follows:

	Fair value loss on financial assets	Assets impairment provision	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	–	417	2,460	2,877
Deferred tax credited to profit or loss during the year	2,359	236	695	3,290
As at 31 December 2019 and 1 January 2020	2,359	653	3,155	6,167
Deferred tax charged to profit or loss during the year	(2,267)	(275)	(58)	(2,600)
As at 31 December 2020 and 1 January 2021	92	378	3,097	3,567
Deferred tax credited/(charged) to profit or loss during the year	283	202	(239)	246
As at 31 December 2021 and 1 January 2022	375	580	2,858	3,813
Deferred tax credited/(charged) to profit or loss during the period	1,170	(172)	221	1,219
As at 31 May 2022	1,545	408	3,079	5,032

The movements in deferred tax liabilities during the Relevant Periods are as follows

	Fair value gain on financial assets *RMB'000*	Accelerated tax depreciation *RMB'000*	Total *RMB'000*
As at 1 January 2019	56	–	56
Deferred tax charged to profit or loss during the year	158	1,709	1,867
As at 31 December 2019 and 1 January 2020	214	1,709	1,923
Deferred tax charged to profit or loss during the year	208	1,448	1,656
As at 31 December 2020 and 1 January 2021	422	3,157	3,579
Deferred tax credited to profit or loss during the year	(341)	(6)	(347)
As at 31 December 2021 and 1 January 2022	81	3,151	3,232
Deferred tax (credited)/charged to profit or loss during the period	(67)	590	523
As at 31 May 2022	14	3,741	3,755

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 May 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 RMB512,609,000, 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.

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:

	As at 31 December			As at 31 May
	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*
Net deferred tax assets recognized in the consolidated statement of financial position	4,256	1,230	1,352	1,783
Net deferred tax liabilities recognized in the consolidated statement of financial position	(12)	(1,242)	(771)	(506)
	4,244	(12)	581	1,277

As at the end of each of the Relevant Periods, deferred tax assets that have not been recognized in respect of tax losses of RMB18,000, RMB284,000, RMB2,298,000 and RMB3,292,000 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

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.

On 30 September 2021, pursuant to a shareholders' resolution, the Company conducted a share subdivision, and the authorized share capital was subdivided from 500,000,000 ordinary shares of a par value of USD0.0001 each to 5,000,000,000 ordinary shares of a par value of USD0.00001 each.

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.

On 14 October 2021, the Company together with the then shareholders and the pre-[**REDACTED**] 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 RMB241,890,000. 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.

On 30 November 2021, 50,000,000 and 318,000,000 authorized but unissued ordinary shares in the authorized share capital of the Company were re-designated and re-classified as Series A-1 preferred shares and Series A-2 preferred shares of a par value of USD0.00001 each, respectively.

On 8 December 2021, the Company allotted and issued 19,000,000 ordinary shares to GBEBT Holding Limited, a limited liability company incorporated in the BVI as a platform holding the underlying equity settled share-based payments incentive plan.

The details of the movements of the Company's authorized and issued ordinary shares and series A preferred shares are set out below:

	Authorized number of shares	USD
Ordinary shares of USD0.0001 each as at 28 July 2021 (date of incorporation)	500,000,000	50,000
Share subdivision of ordinary shares of USD0.0001 each to USD0.00001 each	4,500,000,000	–
Re-designation and re-classification to Series A-1 preferred shares	(50,000,000)	(500)
Re-designation and re-classification to Series A-2 preferred shares	(318,000,000)	(3,180)
Ordinary shares of USD0.00001 each as at 31 December 2021 and 31 May 2022	4,632,000,000	46,320
Series A-1 preferred shares of USD0.00001 each as at 31 December 2021 and 31 May 2022	50,000,000	500
Series A-2 preferred shares of USD0.00001 each as at 31 December 2021 and 31 May 2022	318,000,000	3,180

Issued and fully paid

	Number of shares	Nominal value of shares *RMB'000*
Ordinary shares		
Ordinary shares of USD0.0001 each as at 28 July 2021 (date of incorporation)	100,000,000	63
Share subdivision of ordinary shares of USD0.00001 each to USD0.00001 each	900,000,000	–
Redemption and cancellation of ordinary shares	(100,000,000)	(6)
Ordinary shares issued for the share incentive plan	19,000,000	1
As at 31 December 2021 and 1 January 2022	919,000,000	58
Ordinary shares repurchased and cancelled	(317,995,065)	(21)
As at 31 May 2022	601,004,935	37

	Number of shares	Nominal value of shares *RMB'000*
Preferred shares (Note)		
As at 28 July 2021 (date of incorporation)	–	–
Series A-1 preferred shares issued	48,356,500	3
Series A-2 preferred shares issued	307,545,102	20
As at 31 December 2021 and 1 January 2022	355,901,602	23
Series A-1 preferred shares issued	1,643,500	–
Series A-2 preferred shares issued	10,449,963	1
As at 31 May 2022	367,995,065	24

	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 2021 and 31 May 2022	19,000,000	1

Note: The Company does not hold an unavoidable obligation to (i) deliver cash or other financial assets to Series A preferred shareholders; (ii) to exchange financial assets or financial liabilities with Series A preferred shareholders that are unfavorable to the Company; and (iii) to deliver a variable number of the Company's own ordinary shares. Hence, Series A preferred shares were recognized as equity in accordance with relevant IFRS standard. Below are the key terms of Series A preferred share agreement.

Conversion rights (applicable to preferred shares)

Pursuant to the Series A preferred share agreements, each preferred share may, at the option of the holder thereof, be converted at any time after the date of issuance of such preferred shares or will be converted automatically upon the closing of a qualified [**REDACTED**] into ordinary shares as determined by dividing the original Series A issuance price by the Series A conversion Price (the "Conversion Price"). The original Series A issuance Price, in any event not being less than par value per share, subject to the anti-dilution adjustments (as adjusted for share dividends, splits, combinations, recapitalizations or similar events).

The "Conversion Price" shall initially be the Series A preferred share purchase price, resulting in an initial conversion ratio for the Preferred Shares of 1:1, and no adjustment of the Series A Conversion Price shall be made in respect of the issuance of additional ordinary shares unless the consideration per share for an additional ordinary share issued or deemed to be issued is less than the Series A Conversion Price.

Redemption rights (applicable to preferred shares)

At the request of any Series A preferred shareholders, the Co-founders of the Group instead of the Company shall redeem all or portion of the outstanding Series A preferred shares as elected by such Series A preferred shareholders at any time and from time to time on or after the date of the earliest to occur of any Trigger event.

Trigger event means any of (a) the Company's failure to consummate a QIPO prior to December 31, 2025; or (b) the Co-founders ceased to control the Group.

28. RESERVES

The Group

The amounts of the Group's reserves and the movement therein are presented in the consolidated statements of change in equity on pages I-7 to I-8 of the Historical Financial Information.

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 capital injection into a subsidiary by the Co-founders (Note i); b) reserve resulted from acquisition of a subsidiary under common control (Note ii); c) reserve resulted from acquisition of non-controlling interests by the Co-founders or by the Group (Note ii); d) reserve resulted from the issued capital of the then holding company of the companies now comprising the Group; e) reserve resulted from the Group Reorganization – deemed distribution (Note iii); f) reserve related to the contractual obligation for redemption of ordinary shares and g) reserve related to the recognition of equity-settled share-based payments.

Notes:

(i) The Co-founders made a capital injection of RMB5,000,000 and RMB9,000,000 to the subsidiaries, Shaanxi Giant Teyi and Xi'an Xingan Biotechnology, in April 2019 and August 2020, respectively.

(ii) In August 2019, Shaanxi Giant Biotechnology and the non-controlling shareholder transferred 72.78% and 10% shares in Xi'an Giant Biogene to the Co-founders with a total consideration of RMB21,836,000 and RMB3,000,000, respectively. At the same time, the Co-founders entered into an agreement with Xi'an Giant Biogene to transfer 100% shares in Shaanxi Giant Biotechnology to Xi'an Giant Biogene with a total consideration of RMB30,000,000.

In August 2020, Shaanxi Giant Biotechnology acquired 49% shares held by the non-controlling shareholder in Xi'an Giant Medical Device with a total consideration of RMB1,123,000. In September 2020, Shaanxi Giant Biotechnology acquired 40% shares held by the non-controlling shareholders in Xi'an Xingan Biotechnology with a total consideration of RMB811,000. In October 2020, Xi'an Giant Biogene acquired 1% shares held by the Co-founders in Nanjing Human-like with a consideration of RMB74,000. In December 2020, Xi'an Giant Biogene acquired 30% shares held by the Co-founders in Shaanxi Giant Teyi with a consideration of RMB10,839,000.

In September 2020, Shaanxi Giant Biotechnology entered into a share transfer agreement with the Co-founders to acquire 60% shares held by the Co-founders in Xi'an Xingan Biotechnology with a consideration of RMB12,171,000.

(iii) The Group paid RMB68,309,000 to acquire 100% equity interest of Xi'an Giant Biogene and this amount was recorded in other reserve.

The Company

	Ordinary share capital *RMB'000*	**Preferred share capital** *RMB'000*	**Treasury shares** *RMB'000*	**Share premium** *RMB'000*	**Other reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
As at 1 January and 31 December 2019 and 2020, and as at 1 January 2021:	–	–	–	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–	–	14,759	14,759
Issue of ordinary share capital	63	–	–	65,629	–	–	65,692
Redemption and cancellation of ordinary share capital	(6)	–	–	–	–	–	(6)
Contractual obligation for redemption of ordinary shares	–	–	–	–	(6,359,838)	–	(6,359,838)
Issue of shares for the share incentive plan	1	–	(1)	–	–	–	–
Deemed investment to the subsidiary	–	–	–	–	1,054	–	1,054
Capital contribution from Series A preferred shareholders	–	23	–	7,094,087	–	–	7,094,110
As at 31 December 2021 and as at 1 January 2022	58	23	(1)	7,159,716	(6,358,784)	14,759	815,771

	Ordinary share capital *RMB'000*	Preferred share capital *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Loss and total comprehensive income for the period	–	–	–	–	–	(16,247)	(16,247)
Redemption of ordinary shares upon contractual redemption obligation	(21)	–	–	(6,359,817)	6,359,838	–	–
Deemed investment to the subsidiary	–	–	–	–	6,925	–	6,925
Capital contribution from Series A preferred shareholders	–	1	–	241,890	–	–	241,891
As at 31 May 2022	37	24	(1)	1,041,789	7,979	(1,488)	1,048,340

29. EQUITY SETTLED SHARE-BASED PAYMENTS

Prior to the Group 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 Group 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 [**REDACTED**].

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.

During the Relevant Periods and the five months ended 31 May 2021, the Group recognized share-based compensation expenses of Nil, RMB592,000, RMB16,487,000, RMB6,925,000 and RMB6,811,000 (unaudited), respectively.

The following table discloses details of the movements of the outstanding shares/options granted under the Original and Modified scheme during the Relevant Periods:

	Original Plan Shares		Modified Plan Options	
	No. of shares	Weighted average subscription price *RMB*	No. of options	Weighted average exercise price *RMB*
As at 1 January 2019, 31 December 2019 and 1 January 2020	–	–	–	–
Granted during the year	300,000	150	–	–
As at 31 December 2020 and 1 January 2021	300,000	150	–	–
Forfeited during the year	(2,400)	–	–	–
Replaced during the year	(297,600)	–	–	–
Granted during the year	–	–	9,423,998	4.74
As at 31 December 2021 and 31 May 2022	–	–	9,423,998	4.74

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 values of the Original Plan at both grant date and modification date were determined using the Discounted cashflow model. The Modified Plan were determined using the Binomial model. 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%	14%

	Modified Plan At date of modification
Option fair value per share (RMB)	12.76
Share price (RMB)	16.94
Exercise price (RMB)	4.74
Dividend yield (%)	–
Volatility (%)	46.45%
Risk-free interest rate (%)	2.46%
Expected life of options (years)	6.50
Expected [**REDACTED**]	2022/12/31

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) 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.

	Dividend payable *RMB'000*	Contractual obligation for redemption of ordinary shares *RMB'000*	Amount due to a related party *RMB'000*
As at 1 January 2019	–	–	–
Changes from financing cash flows	–	–	–
Dividend declared	397,000	–	–
As at 31 December 2019 and 1 January 2020	397,000	–	–
Changes from financing cash flows			
– Dividends paid to non-controlling shareholders by the subsidiaries	(1,505)	–	–
Dividend declared	1,504,505	–	–
As at 31 December 2020 and 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	–	(6,233,020)	–
Payables in relation to share redemption	–	(2,828)	2,828
Exchange adjustment	–	(40,739)	–
As at 31 May 2022	–	–	2,828

31. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Plant and machinery	64,260	61,181	32,885	29,760
Buildings	10,274	10,274	4,075	376,394
Capital contribution to an associate	–	–	16,000	16,000
	74,534	71,455	52,960	422,154

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
Xi'an Chuangkecun*	Controlled by a then director of Xi'an Giant Biogene
Juzi Holding Co., Ltd.	Immediate holding company of the Company

* Since June 2020, with the resignation of the then director in Xi'an Giant Biogene, Xi'an Chuangkecun is no longer a related party of the Group.

(b) Related party transactions

The Group had the following material transactions with related parties during the Relevant Periods and the five months ended 31 May 2021:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of finished goods *(i)*	499,274	220,473	–	–	–
Provision rental services *(i)*	–	268	–	–	–
Provision logistic service *(ii)*	2,126	884	–	–	–
Interest income *(iii)*	16,115	9,221	–	–	–
	18,241	10,373	–	–	–
Loans to the related parties	(45,771)	(212,800)	–	–	–
Repayment of loans from the related parties	61,633	445,073	201,310	201,310	–

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 May 2022, the Group has an outstanding payment of RMB2,828,000 to Juzi Holding Co., Ltd. which was recorded in amount due to a related party.

Notes:

(i) The sales of finished goods were made and rental services were provided by the Group to Xi'an Chuangkecun with reference to market prices.

(ii) The logistic service was provided by Chuangkecun to the Group with reference to market prices.

(iii) The interest income from a loan provided to Mr. Yan Jianya as disclosed in Note 32 (c).

(c) Outstanding balance with related parties

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at the end of each of the Relevant Periods.

	Year ended 31 December			Five months ended 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties				
Trade nature:				
ChuangKecun	123,630	–	–	–
Impairment allowances	(2,316)	–	–	–
	121,314	–	–	–
Non-trade nature:				
Mr. Yan Jianya*	433,583	–	–	–
Shaanxi Bomiaorei Technology Co., Ltd.	–	201,310	–	–
	433,583	201,310	–	–
Total amounts due from related parties	554,897	201,310	–	–
Due to a related party				
Non-trade nature:				
Juzi Holding Co., Ltd.**	–	–	–	2,828
Total amounts due to a related party	–	–	–	2,828

* The non-trade balances due from Mr. Yan Jianya were unsecured, repayable on demand and carried interest at a rate of 2.85% p.a. as at 31 December 2019. The non-trade balances due from related parties were unsecured, interest-free and repayable on demand.

** The non-trade balances due to Juzi Holding Co., Ltd. has been settled subsequently in September 2022.

(d) Compensation of key management personnel of the Group

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, bonuses, allowances and benefits in kind	569	2,259	2,710	858	1,252
Pension scheme contributions	133	106	289	121	181
Equity-settled share award expense	–	387	11,793	4,874	4,951
	702	2,752	14,792	5,853	6,384

Further details of directors', supervisors' and the chief executive's remuneration are included in Note 8 to the Historical Financial Information.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

As at 31 December 2019

Financial assets

	Financial assets at fair value through profit or loss	**Financial assets at amortized cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	746,623	–	746,623
Financial assets included in prepayments, other receivables and other assets	–	5,009	5,009
Trade receivables	–	17,260	17,260
Amounts due from related parties	–	554,897	554,897
Cash and cash equivalents	–	72,323	72,323
	746,623	649,489	1,396,112

Financial liabilities

	Financial liabilities at amortized cost *RMB'000*
Trade payables	22,779
Dividend payable	397,000
Financial liabilities included in other payables and accruals	49,780
	469,559

As at 31 December 2020

Financial assets

	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	1,588,344	–	1,588,344
Financial assets included in prepayments, other receivables and other assets	–	1,781	1,781
Trade receivables	–	54,523	54,523
Amounts due from related parties	–	201,310	201,310
Cash and cash equivalents	–	367,805	367,805
	1,588,344	625,419	2,213,763

Financial liabilities

	Financial liabilities at amortized cost *RMB'000*
Trade payables	31,946
Dividend payable	1,900,000
Financial liabilities included in other payables and accruals	53,351
	1,985,297

As at 31 December 2021

Financial assets

	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

	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

As at 31 May 2022

Financial assets

	Financial assets at fair value through profit or loss *RMB'000*	**Financial assets at amortized cost** *RMB'000*	**Financial assets at fair value through other comprehensive income** *RMB'000*	**Total** *RMB'000*
Financial assets at fair value through profit or loss	146,023	–	–	146,023
Financial assets included in prepayments, other receivables and other assets	–	7,776	–	7,776
Trade receivables	–	43,549	–	43,549
Bills receivables	–	–	8,050	8,050
Cash and cash equivalents	–	922,187	–	922,187
	146,023	973,512	8,050	1,127,585

Financial liabilities

	Financial liabilities at amortized cost *RMB'000*
Trade payables	25,888
Amount due to a related party	2,828
Financial liabilities included in other payables and accruals	63,723
	92,439

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 *RMB'000*	**Fair values** *RMB'000*
As at 31 December 2019		
Financial assets at fair value through profit or loss	746,623	746,623
As at 31 December 2020		
Financial assets at fair value through profit or loss	1,588,344	1,588,344
As at 31 December 2021		
Financial assets at fair value through profit or loss	155,607	155,607
As at 31 May 2022		
Financial assets at fair value through profit or loss	154,073	154,073

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.

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade receivables, amounts due from related parties, trade payables, financial assets included in prepayments, deposits and other receivables, 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.

Fair value hierarchy

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

The Group

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss:				
Financial products	–	746,623	–	746,623

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss:				
Financial products	–	1,588,344	–	1,588,344

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss:				
Financial products	–	155,607	–	155,607

As at 31 May 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	–	8,050	–	8,050
Financial assets at fair value through profit or loss:				
Financial products	–	146,023	–	146,023

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 Relevant Periods, 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.

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 each of the Relevant Periods to a reasonably possible change in the USD exchange rate, 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.

The Group

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
31 December 2019			
If RMB weakens against USD	5	–	–
If RMB strengthens against USD	(5)	–	–
31 December 2020			
If RMB weakens against USD	5	–	–
If RMB strengthens against USD	(5)	–	–
31 December 2021			
If RMB weakens against USD	5	351,593	351,593
If RMB strengthens against USD	(5)	(351,593)	(351,593)
31 May 2022			
If RMB weakens against USD	5	776	776
If RMB strengthens against USD	(5)	(776)	(776)

Credit risk

Receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is not significant.

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 end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

The Group

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	17,711	17,711
Financial assets included in prepayments, other receivables and other assets	6,041	–	–	–	6,041
Amounts due from related parties	557,213	–	–	–	557,213
Cash and cash equivalents	72,323	–	–	–	72,323
	635,577	–	–	17,711	653,288

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	55,219	55,219
Financial assets included in prepayments, other receivables and other assets	2,405	–	–	–	2,405
Amounts due from related parties	201,310	–	–	–	201,310
Cash and cash equivalents	367,805	–	–	–	367,805
	571,520	–	–	55,219	626,739

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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 31 May 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	44,921	44,921
Bills receivable	8,050	–	–	–	8,050
Financial assets included in prepayments, other receivables and other assets	8,620	–	–	–	8,620
Cash and cash equivalents	922,187	–	–	–	922,187
	938,857	–	–	44,921	983,778

As at the end of each of the Relevant Periods, 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 each of the Relevant Periods, cash and cash equivalents were deposited in financial institutions of high quality without significant credit risk.

As at the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 88%, 50%, 44% and nil 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.

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 Relevant Periods, based on the contractual undiscounted payments, is as follows:

The Group

	As at 31 December 2019			
	On demand	**Within 1 year**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	22,779	–	22,779
Dividend payables	397,000	–	–	397,000
Financial liabilities included in other payables and accruals	–	49,780	–	49,780
	397,000	72,559	–	469,559

	As at 31 December 2020			
	On demand	**Within 1 year**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	31,946	–	31,946
Dividend payables	1,900,000	–	–	1,900,000
Financial liabilities included in other payables and accruals	–	53,351	–	53,351
	1,900,000	85,297	–	1,985,297

	As at 31 December 2021			
	On demand	Within 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*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

	As at 31 May 2022			
	On demand	Within 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	25,888	–	25,888
Amount due to a related party	–	2,828	–	2,828
Financial liabilities included in other payables and accruals	–	63,723	–	63,723
	–	92,439	–	92,439

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 each of the Relevant Periods.

	Year ended 31 December			Five months ended 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total debt	–	–	–	–
Equity attributable to owners of the parent	1,147,698	458,003	1,016,811	1,579,254
Gearing ratio	0%	0%	0%	0%

36. EVENTS AFTER THE RELEVANT PERIODS

The impact of COVID-19

The Directors believe that, based on the information available as of the date of this report, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or a material impact on the financial position or financial performance of the Group.

It is uncertain when and whether COVID-19 could be controlled globally. The above analysis is made by the management of the Company based on the currently available information concerning COVID-19. Management of the Company cannot assure that the outbreak of COVID-19 will not further escalate or have a material adverse effect on the Group's results of operations.

Grant of share options

As at the date of this report, a total number of 19,000,000 options under the Modified Plan of the Company had been granted to the employees of Group.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2022.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this Document, and is included for information purposes only. The unaudited [**REDACTED**] *financial information should be read in conjunction with the section headed "Financial Information" in this Document and the Accountants' Report set out in Appendix I to this document.*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of* [**REDACTED**] *Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2022 as if the [**REDACTED**] had taken place on that date.

The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the [**REDACTED**] been completed as at 31 May 2022 or at any future date.

	Consolidated net tangible assets attributable to owners of the Company as at 31 May 2022 *RMB'000 (Note 1)*	**Estimated net [REDACTED] from the [REDACTED]** *RMB'000 (Note 2)*	**Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to owners of the Company as at 31 May 2022** *RMB'000*	**Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 31 May 2022** *RMB (Note 3)*	*HK$ (Note 4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	[1,571,843]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	[1,571,843]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	[1,571,843]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2022 was equal to the audited net assets attributable to owners of the Company as at 31 May 2022 of RMB[1,579,254,000] after deducting of other intangible assets of RMB[7,411,000] as at 31 May 2022 set out in the Accountants' Report in Appendix I to this Document.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on an estimated [**REDACTED**] of HK$[**REDACTED**], HK[$[**REDACTED**]] and HK$[**REDACTED**] per share, after deduction of the [**REDACTED**] fees and other related expenses payable by the Company and do not take into account any Shares which may be issued upon the exercise of the [**REDACTED**].

(3) The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred in note 2 above and on the basis of [**REDACTED**] Shares are in issue, assuming that the [**REDACTED**] has been completed on 31 May 2022 but does not take into account any Shares (i) which may be sold pursuant to the exercise of the [**REDACTED**] or(ii)which may be issued under Employee Incentive Plans subsequent to 31 May 2022.

(4) For the purpose of this unaudited [**REDACTED**] statement of adjusted net tangible assets attributable to owners of the Company, the balances stated in RMB are converted into HK$ at the rate of RMB1.00 to HKD[1.12].

(5) No adjustment has been made to the unaudited [**REDACTED**] adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2022.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

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 so appointed 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.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

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 a 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. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting

all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year, to be held within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. The annual general meeting shall be specified as such in the notices calling it.

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 of the Company, and 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 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. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the

period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, given notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 July 2021 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preferred shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of the shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

The Company was incorporated in the Cayman Islands on July 28, 2021 as an exempted company with limited liability. Our registered office address is at the offices of PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this document.

Our principal place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 6, 2022 with the Registrar of Companies in Hong Kong. Ms. Yiu Suk Han and Ms. Yuen Wing Yan, Winnie have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

As of the date of this document, the Company's head office was located at No. 1855, Shanglin Yuan 7th Road, Chang'an District, Xi'an, Shaanxi Province, PRC.

2. Changes in Share Capital

On July 28, 2021, the Company was incorporated in the Cayman Islands as an exempted company, with an authorized share capital of US$50,000 divided into 500,000,000 Ordinary Shares of a par value of US$0.0001 each. Upon incorporation, the Company allotted and issued 100,000 Ordinary Shares to Healing Holding and 99,900,000 Ordinary Shares to Juzi Holding, at par value for a consideration of US$10 and US$9,990 respectively.

On September 30, 2021, the Company conducted a share subdivision and the authorized share capital was subdivided from US$50,000 consisting of 500,000,000 Ordinary Shares with par value of US$0.0001 each to 5,000,000,000 Ordinary Shares with par value of US$0.00001 each.

On November 30, 2021, our Shareholders resolved, among other things, that 50,000,000 authorized but unissued Ordinary Shares in the authorized share capital of the Company be re-designated and re-classified as Series A-1 Preferred Shares of a par value of US$0.00001 each, and 318,000,000 authorised but unissued Ordinary Shares in the authorized share capital of the Company be re-designated and re-classified as series A-2 Preferred Shares of a par value of US$0.00001 each. Upon completion of such redesignation, the authorized share capital of the Company would be US$50,000 divided into 5,000,000,000 Shares, consisting of 4,632,000,000 Ordinary Shares, 50,000,000 Series A-1 Preferred Shares and 318,000,000 Series A-2 Preferred Shares of par value of US$0.00001 each.

From November 30, 2021 to January 24, 2022, the Company allotted and issued 50,000,000 Series A-1 Preferred Shares and 317,995,065 Series A-2 Preferred Shares to the Pre-[**REDACTED**] Investors pursuant to the Series A Preferred Shares Subscription Agreements, representing approximately 37.98% of the total issued share capital of the Company immediately prior to the [**REDACTED**]. For details of the Pre-[**REDACTED**] Investments, see the section headed "History, Reorganization and Corporate Structure – Pre-[**REDACTED**] Investments" in this document.

On December 8, 2021, the Company allotted and issued 19,000,000 Ordinary Shares to GBEBT Holding, representing approximately 1.96% of the total issued share capital of the Company immediately prior to the [**REDACTED**]. Such Shares are held on trust by GBEBT Holding pursuant to the RSU Scheme. For details of the RSU Scheme, see "– D. RSU Scheme" in this section.

On February 17, 2022, the Company redeemed 317,995,065 Ordinary Shares from Juzi Holding pursuant to the Share Redemption Agreement.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants' Report as set out in Appendix I to this document.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this document:

Xi'an Giant Biogene

On January 4, 2021, the registered capital of Xi'an Giant Biogene was increased from RMB30,002,858 to RMB30,302,858.

On August 23, 2021, the registered capital of Xi'an Giant Biogene was increased from RMB30,302,858 to RMB30,608,947.

On October 13, 2021, the registered capital of Xi'an Giant Biogene was decreased from RMB30,608,947 to RMB28,141,790.

On January 27, 2022, the registered capital of Xi'an Giant Biogene was increased from RMB28,141,790 to RMB328,141,790.

Xi'an Giant Medical Device

On May 20, 2021, the registered capital of Xi'an Giant Medical Device was increased from RMB5 million to RMB30 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

4. Resolutions of the Shareholders of Our Company dated [●]

On [●], 2022, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "Structure of the [**REDACTED**] – Conditions of the [**REDACTED**]" and pursuant to the terms set out therein:

(a) the Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the [**REDACTED**];

(b) the [**REDACTED**] and the grant of the [**REDACTED**] were approved and any executive Director of our Company from time to time or (if applicable), any of his/their duly authorized attorney (the "**Authorized Signatory**") were authorized to allot and issue the Shares pursuant to the [**REDACTED**] and the exercise of the [**REDACTED**];

(c) the [**REDACTED**] was approved and any Authorized Signatory would be authorized to implement the [**REDACTED**];

(d) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; and (iii) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:

(A) 20% of the total number of Shares in issue immediately following the completion of the [**REDACTED**]; and

(B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below,

Such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting (the "**Relevant Period**"); and

(e) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the [**REDACTED**] of the Company in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares which may be issued under the [**REDACTED**]), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from

repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Companies Act.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his/her securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) The Series A Preferred Share Subscription Agreement dated October 14, 2021 entered into among the Company, Giant Beauty Holding, Hong Kong YaXin, Giant Biogene Hong Kong, Xi'an Giant Biogene, Mr. Yan, Dr. Fan, Juzi Holding, Healing Holding, GSUM XVIII Holdings Limited, CPE Collagen Investment Limited, YF Valued Vision Limited, LC Special I Limited Partnership Fund, Harmony Shuye LP., Celestial Key Group Limited, River Union Capital Limited, Lavender Fund, L.P., XN Crane International Limited, Jinyi Titan Limited, Shine-Light Holdings Pte Ltd, Giant (BVI) Investment LP, CICC Healthcare Investment Opportunities IV Limited, Gaorong Radiance Holding Ltd, CDH Supermatrix H Limited, BA Jane Limited, Oceanpine Investment Fund II LP, DREAM TREASURE LIMITED, Shining Sea Limited, THC Heling Investment Fund Partnership (Limited Partnership) (海南熙翎投資基金合夥企業(有限合夥)) and Shanghai Jiancheng Advertising Planning Partnership (Limited Partnership) (上海劍誠廣告策劃合夥企業(有限合夥)) with respect to the subscription of Shares by the above Pre-[**REDACTED**] Investors;

(b) The Supplemental Agreement dated October 18, 2021 entered into among the Company, Giant Beauty Holding, Hong Kong YaXin, Giant Biogene Hong Kong, Xi'an Giant Biogene, Mr. Yan, Dr. Fan, Juzi Holding, Healing Holding, Dream Fancy Limited and Shanghai Rosefinch Gengchen Private Equity Investment Fund (Limited Partnership) (上海朱雀庚辰私募投資基金合夥企業(有限合夥)) with respect to subscription of Shares by Dream Fancy Limited and Shanghai Rosefinch Gengchen Private Equity Investment Fund (Limited Partnership);

(c) The Supplemental Agreement dated November 4, 2021 entered into among the Company, Giant Beauty Holding, Hong Kong YaXin, Giant Biogene Hong Kong, Xi'an Giant Biogene, Mr. Yan, Dr. Fan, Juzi Holding, Healing Holding, Qianyi Holdings Limited, Harmony Shuye LP., CDH Supermatrix H Limited, Shanghai Shenxu Management Partnership (Limited Partnership) (上海莘栩企業管理合夥企業(有限合夥)), Celestial Key Group Limited, BA Jane Limited, DREAM TREASURE LIMITED and Shanghai Yifei Co., Ltd (上海旖斐企業管理有限公司) with respect to the new or additional subscription of Shares by the above Pre-[**REDACTED**] Investors;

(d) The Share Redemption Agreement dated October 14, 2021 entered into among the Company, Juzi Holding, GSUM XVIII Holdings Limited, HNTR V Holdings Limited, CPE Collagen Investment Limited, YF Valued Vision Limited, LC Special I Limited Partnership Fund, Harmony Shuye LP., Celestial Key Group Limited, River Union Capital Limited, Lavender Fund, L.P., XN Crane International Limited, Jinyi Titan Limited, Shine-Light Holdings Pte Ltd, Giant (BVI) Investment LP, CICC Healthcare Investment Opportunities IV Limited, Gaorong Radiance Holding Ltd, CDH Supermatrix H Limited, BA Jane Limited, Oceanpine Investment Fund II LP, DREAM TREASURE LIMITED, Shining Sea Limited, THC Heling Investment Fund Partnership (Limited Partnership) (海南熙翎投資基金合夥企業(有限合夥)), Shanghai Jiancheng Advertising Planning Partnership (Limited Partnership) (上海劍誠廣告策劃合夥企業(有限合夥)), Dream Fancy Limited, Shanghai Rosefinch Gengchen Private Equity Investment Fund (Limited Partnership) (上海朱雀庚辰私募投資基金合夥企業(有限合夥)), Qianyi Holdings Limited, Shanghai Shenxu Management Partnership (Limited Partnership) (上海莘栩企業管理合夥企業(有限合夥)) and Shanghai Yifei Co., Ltd (上海旖斐企業管理有限公司) with respect to the Pre-[**REDACTED**] Investments;

(e) The Shareholders Agreement dated November 30, 2021 entered into among the Company, Giant Beauty Holding, Hong Kong YaXin, Giant Biogene Hong Kong, Xi'an Giant Biogene, Mr. Yan, Dr. Fan, Juzi Holding, Healing Holding, GBEBT Holding, GSUM XVIII Holdings Limited, HNTR V Holdings Limited, CPE Collagen Investment Limited, YF Valued Vision Limited, LC Special I Limited Partnership Fund, Harmony Shuye LP., Celestial Key Group Limited, River Union Capital Limited, Lavender Fund, L.P., XN Crane International Limited, Jinyi Titan Limited, Shine-Light Holdings Pte Ltd, Giant (BVI) Investment LP, CICC Healthcare Investment Opportunities IV Limited, Gaorong Radiance Holding Ltd, CDH Supermatrix H Limited, BA Jane Limited, Oceanpine Investment Fund II LP, DREAM TREASURE LIMITED, Shining Sea Limited, THC Heling Investment Fund Partnership (Limited Partnership) (海南熙翎投資基金合夥企業(有限合夥)), Shanghai Jiancheng Advertising Planning Partnership (Limited Partnership) (上海劍誠廣告策劃合夥企業(有限合夥)), Dream Fancy Limited, Shanghai Rosefinch Gengchen Private Equity Investment Fund (Limited Partnership) (上海朱雀庚辰私募投資基金合夥企業(有限合夥)), Qianyi Holdings Limited, Shanghai Shenxu Management Partnership (Limited Partnership) (上海莘栩企業管理合夥企業(有限合夥)) and Shanghai Yifei Co., Ltd (上海旖斐企業管理有限公司);

[**REDACTED**]

2. Intellectual Property Rights

(a) Trademarks

(i) Trademarks Registered in the PRC

As at the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
1.	类人	Xi'an Giant Biogene	3	6269856	27/02/2030
2.	可复美	Xi'an Giant Biogene	3	8755469	27/10/2031
3.		Xi'an Giant Biogene	5	8759267	27/10/2031
4.		Xi'an Giant Biogene	10	8767913	06/11/2031
5.		Xi'an Giant Biogene	3	8585664	27/11/2031
6.	COLLGENE	Xi'an Giant Biogene	5	16513999	06/05/2026
7.	COLLGENE	Xi'an Giant Biogene	3	16514413	06/05/2026
8.	可丽金	Xi'an Giant Biogene	3	16514582	06/05/2026
9.	Human-like	Xi'an Giant Biogene	10	16514736	06/05/2026
10.	可丽金	Xi'an Giant Biogene	10	16514835	06/05/2026
11.	可丽金	Xi'an Giant Biogene	5	16514967	06/05/2026
12.	Human-like	Xi'an Giant Biogene	3	16514496	20/06/2026
13.	COLLGENE	Xi'an Giant Biogene	10	16513753	27/06/2026
14.	Human-like	Xi'an Giant Biogene	3	29080348	20/02/2029
15.	可丽金	Xi'an Giant Biogene	10	47205499	06/02/2031

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
16.	可丽金	Xi'an Giant Biogene	5	47216394	13/02/2031
17.	可丽金	Xi'an Giant Biogene	3	47208749	06/04/2031
18.	可复美	Shaanxi Giant Biotechnology	10	8763615	27/10/2031
19.	可复美	Shaanxi Giant Biotechnology	5	8759241	06/11/2031
20.	可复美	Shaanxi Giant Biotechnology	10	16618138	20/05/2026
21.	可预	Shaanxi Giant Biotechnology	5	18995874	27/02/2027
22.	可预	Shaanxi Giant Biotechnology	3	18996013	27/02/2027
23.	可痕	Shaanxi Giant Biotechnology	3	18996217	27/02/2027
24.	可痕	Shaanxi Giant Biotechnology	5	18996640	27/02/2027
25.	可预	Shaanxi Giant Biotechnology	10	18995764	06/03/2027
26.	可痕	Shaanxi Giant Biotechnology	10	18996487	06/03/2027
27.	可复美	Shaanxi Giant Biotechnology	5	18689298	13/05/2027
28.	可复平	Shaanxi Giant Biotechnology	10	22018158	13/01/2028
29.	可复平	Shaanxi Giant Biotechnology	3	36132293	20/09/2029
30.	可复平	Shaanxi Giant Biotechnology	5	36139876	20/10/2029
31.	可复欣	Shaanxi Giant Biotechnology	10	37049917	06/12/2029
32.	可复欣	Shaanxi Giant Biotechnology	3	37061687	06/12/2029
33.	可预	Shaanxi Giant Biotechnology	5	44037243	13/11/2030
34.	可预	Shaanxi Giant Biotechnology	5	45633495	06/02/2031
35.	可预	Shaanxi Giant Biotechnology	3	45645994	06/02/2031
36.	參苷	Shaanxi Giant Biotechnology	5	19081057	13/03/2027

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
37.	參苷	Shaanxi Giant Biotechnology	3	19080907	13/03/2027
38.	參苷	Shaanxi Giant Biotechnology	10	19080840	13/03/2027

(ii) Trademarks Registered in Hong Kong

As at the Latest Practicable Date, we had registered the following trademarks in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
1.		Xi'an Giant Biogene	1、3、5、10、32、35、44	305722119	19/08/2031
2.		Xi'an Giant Biogene	1、3、5、10、32、35、44	305720076	17/08/2031
3.	A 類人 B 类人	Xi'an Giant Biogene	3、5、35	305694706	22/07/2031
4.	A 可麗金 B 可丽金	Xi'an Giant Biogene	3、5、35	305694698	22/07/2031

(b) Copyrights

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright Owner	Registration Number	Registration Date (dd/mm/yy)
1.	可麗金COLLGENE	Xi'an Giant Biogene	國作登字-2017-F-00379275	06/04/2017
2.	LOGO	Xi'an Giant Biogene	國作登字-2021-F-00131838	15/06/2021
3.	類人LOGO	Xi'an Giant Biogene	國作登字-2021-F-00221090	24/09/2021

(c) Patents

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date (dd/mm/yy)	Registration Date (dd/mm/yy)	Expiry Date (dd/mm/yy)
1.	A kind of collagen-sensitive hydrogel and its preparation method	Xi'an Giant Biogene	PRC	201110147417.7	02/06/2011	28/11/2012	02/06/2031
2.	A method for large-scale conversion of raw ginsenoside to ginsenoside rk1 production	Xi'an Giant Biogene	PRC	201610344506.3	24/05/2016	07/08/2018	24/05/2036
3.	Application of ginsenoside rk3 in the preparation of drugs for the prevention and treatment of telangiectasia	Xi'an Giant Biogene	PRC	201610607005.X	28/07/2016	05/11/2019	28/07/2036
4.	Drug formulation and application for colon cancer treatment	Xi'an Giant Biogene	PRC	201810705896.1	02/07/2018	06/11/2020	02/07/2038
5.	Ginsenoside composition and application for treatment of leukopenia	Xi'an Giant Biogene	PRC	201810707155.7	02/07/2018	04/06/2021	02/07/2038
6.	Recombinant collagen	Shaanxi Giant Biotechnology	PRC	201110327873.X	26/10/2011	18/12/2013	26/10/2031

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date (dd/mm/yy)	Registration Date (dd/mm/yy)	Expiry Date (dd/mm/yy)
7.	Recombinant collagen and fluorinated nano-hydroxyapatite composite collagen artificial bone	Shaanxi Giant Biotechnology	PRC	201110363143.5	16/11/2011	14/08/2013	16/11/2031
8.	Human Collagen and Injection Human Collagen Soft Tissue Fillers	Shaanxi Giant Biotechnology	PRC	201110363121.9	16/11/2011	21/05/2014	16/11/2031
9.	Preparation of an amphiphilic monodisperse hydroxyapatite monocrystalline nanorod	Shaanxi Giant Biotechnology	PRC	201110363123.8	16/11/2011	21/05/2014	16/11/2031
10.	A Hydrogel with Bioremediation Activity and Excellent Degradation Performance and preparation method	Shaanxi Giant Biotechnology	PRC	201310264046.X	28/06/2013	29/07/2015	28/06/2033
11.	A compound artificial bone with enhanced osteogenic activity and its preparation method	Shaanxi Giant Biotechnology	PRC	201410159805.0	21/04/2014	17/02/2016	21/04/2034
12.	An artificial bone stent material with enhanced biocompatibility and its preparation method	Shaanxi Giant Biotechnology	PRC	201410161018.X	21/04/2014	25/05/2016	21/04/2034
13.	A 3D uniform porous support material and its preparation method	Shaanxi Giant Biotechnology	PRC	201410160212.6	21/04/2014	31/08/2016	21/04/2034
14.	An oil-water two-phase collagen dressing for dry skin	Shaanxi Giant Biotechnology	PRC	201510069210.0	10/02/2015	31/05/2019	10/02/2035
15.	A water-oil two-phase collagen dressing for neutral skin	Shaanxi Giant Biotechnology	PRC	201510266725.X	22/05/2015	11/09/2018	22/05/2035
16.	A human-like collagen scar repair silicone gel	Shaanxi Giant Biotechnology	PRC	201510883010.9	04/12/2015	12/10/2018	04/12/2035
17.	A human-like collagen mucosal repair gel	Shaanxi Giant Biotechnology	PRC	201510883490.9	04/12/2015	12/10/2018	04/12/2035
18.	A human-like collagen oral mucosal repair fluid	Shaanxi Giant Biotechnology	PRC	201510883488.1	04/12/2015	12/03/2019	04/12/2035

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date (dd/mm/yy)	Registration Date (dd/mm/yy)	Expiry Date (dd/mm/yy)
19.	Application of ginsenoside rk3 in the preparation of drugs for the prevention and treatment of angiogenesis	Shaanxi Giant Biotechnology	PRC	201610605891.2	28/07/2016	11/02/2020	28/07/2036
20.	A human-like collagen nasal mucosal repair gel	Shaanxi Giant Biotechnology	PRC	201611055632.3	25/11/2016	08/10/2019	25/11/2036

As at the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent	Applicant	Place of Application	Application Number	Application Date (dd/mm/yy)
1.	Surface modified bone powder and its preparation	Xi'an Giant Biogene	PRC	2018107057812	02/07/2018
2.	Hydroxylation method of recombinant human-like collagen	Xi'an Giant Biogene	PRC	2018107071538	02/07/2018
3.	A hydrogel dressing for wound healing	Shaanxi Giant Biotechnology	PRC	2021101758721	09/02/2021
4.	Recombinant Human Collagen Polypeptide and its Application	Shaanxi Giant Biotechnology	PRC	2021108024589	15/07/2021
5.	Absorbable biomembrane, its preparation and application	Shaanxi Giant Biotechnology	PRC	2021114352896	29/11/2021

(d) Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date (dd/mm/yy)
1.	xajuzi.com	Xi'an Giant Biogene	20/02/2024
2.	shanxjz.com	Shaanxi Giant Biotechnology	11/08/2027

Save as aforesaid, as of the Latest Practicable Date, there were no other trademarks, copyrights, patents or domain names which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Directors

Each of our executive Directors [has] entered into a service contract with us pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the date of this document or until the third annual general meeting of our Company since the [**REDACTED**] (whichever ends earlier). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management – Remuneration and Compensation of Directors and Senior Management."

(b) Non-executive Directors and independent non-executive Directors

The non-executive Director [has] entered into an appointment letter with our Company on [●]. The initial term for their appointment letters shall commence from the date of this document and shall continue for three years or until the third annual general meeting of the Company since the [**REDACTED**], whichever ends earlier, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three month's prior notice in writing.

Each of the independent non-executive Directors [has] entered into an appointment letter with our Company on [●]. The initial term for their appointment letters shall be three years from the date of this document or until the third annual general meeting of the Company since the [**REDACTED**], whichever ends earlier, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

2. Remuneration of Directors

(a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) During the three years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the aggregate amount of remuneration incurred for our Directors were approximately RMB0.7 million, RMB2.8 million, RMB13.1 million and RMB5.3 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this document.

(c) Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2022 is expected to be approximately RMB13.8 million.

(d) No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

(e) Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

3. Disclosure of interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the [**REDACTED**]

Immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company, within the meaning of Part XV of the SFO, which will have to be notified to our 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 which will be required, pursuant to section 352 of the SFO, to

be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Interest in Shares

Name of Director or chief executive	**Nature of interest**	**Number of Shares interested upon [REDACTED]**	**Approximate percentage of interest in our Company immediately after the [REDACTED]**[(1)]
Mr. Yan	Interest of spouse; beneficiary of a trust[(2)(3)(4)(5)(6)]	601,004,935	[**REDACTED**]%
Dr. Fan	Interest in controlled corporation[(2)]	581,104,935	[**REDACTED**]%
	Interest in controlled corporation[(3)]	900,000	[**REDACTED**]%
	Executor or administrator of a trust[(4)]	19,000,000	[**REDACTED**]%
Ms. Ye Juan[(7)]	Beneficiary of a trust	681,000	[**REDACTED**]%
Ms. Fang Juan[(8)]	Beneficiary of a trust	855,333	[**REDACTED**]%

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(2) 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.

(3) 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.

(4) 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.

(5) 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.

(6) Mr. Yan, our 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.

(7) Ms. Ye Juan, our 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.

(8) Ms. Fang Juan, our 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.

(ii) Interest in associated corporations

Save as set out above, the Directors are not aware of any of our Directors or chief executives who will, immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), has any interests and/or short positions in the Shares, underlying shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our 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 which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the [**REDACTED**], have or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please refer to the section headed "Substantial Shareholders" in this document.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [**REDACTED**], be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such share capital.

4. Disclaimers Save as disclosed in this document:

(a) none of the Directors or any experts named in the paragraph headed "E. Other Information – 4. Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(b) none of the Directors or any experts named in the paragraph headed "E. Other Information – 4. Consents of Experts" below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(c) none of our Directors or any of experts named in the paragraph headed "E. Other Information – 4. Consents of Experts" below has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(d) taking no account of any Shares which may be taken up under the [**REDACTED**], so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the [**REDACTED**], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;

(e) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be 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 is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates or our Shareholders who are interested in more than 5% of the share capital of our Group has any interests in the five largest customers or the five largest supplier of our Group.

D. RSU SCHEME

The following is a summary of the principal terms of the RSU Scheme adopted by the Board on December 8, 2021. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve the grant of options by our Company to subscribe for new Shares.

(a) Purposes of the RSU Scheme

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.

(b) RSUs

A RSU gives a participant in the RSU Scheme a conditional right, which is subject to the Board's discretion, to obtain Shares at a price agreed in advance after the RSU vests.

(c) RSU Participants in the RSU Scheme

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.

(d) Term of the RSU Scheme

Subject to any early termination upon occurrence of any termination events, the RSU Scheme shall be valid and effective for a period of ten years, commencing on the date of adoption of the RSU Scheme by the Board (the "**RSU Scheme Period**").

(e) 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 1.96% of the total issued share capital of the Company immediately prior to the [**REDACTED**] (the "**RSU Scheme Limit**").

(f) Grant of RSU

A RSU will be granted to an RSU Participant selected by the Board by a grant letter, in such form as the Board may determine (the "**RSU Grant Letter**"), which shall specify the rights and obligations of the Company and the selected RSU Participant.

The amount of RSUs to be granted under a RSU may be determined by the Board at its entire discretion taking into various factors, including but not limited to the selected RSU Participant's seniority, position type, length of service and performance.

(g) Consideration for RSU

The price to be paid for the grant of any RSU shall be determined by the Board from time to time as set out in the RSU Grant Letter.

(h) Rights attached to RSUs

The RSUs do not carry any voting rights or rights to dividends. The voting rights of the underlying incentive Shares under the RSU Scheme was entrusted with Dr. Fan, and no RSU Participant shall enjoy any rights to vote at general meetings of the Company or rights to dividends by virtue of the grant of a RSU pursuant to the RSU Scheme.

(i) Transfer of RSUs

The RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant. Without prior consent of the Company, RSU Participants are prohibited from selling, transferring, charging, mortgaging, pledging, creating any security interest over the RSUs granted, or using the RSUs to offset any outstanding financial liabilities.

In the event of transfers of RSUs by the RSU Participant in violation of the above, the relevant RSUs will automatically lapse and the Company is entitled to reclaim or cancel all the unvested RSUs granted to such RSU Participant.

(j) 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 (the "**RSU 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.

(k) Settlement of RSUs

Upon vesting, the underlying Shares subject to such vested RSUs shall be transferred to the RSU Participant. If the RSU Participant chooses to sell the vested RSUs to obtain an equivalent value in cash (less any costs, expenses, commissions or tax), the Company shall provide necessary assistance.

(l) Appointment of Trustee

Our Company has appointed an independent professional trustee, Trident Trust Company (HK) Limited (the "**Trustee**"), to assist with the administration of the RSU Scheme. Upon adoption of the RSU Scheme, our Company has allotted and issued 19,000,000 Ordinary Shares pursuant to the RSU Scheme to GBEBT Holding, which is held by the Trustee for the benefit of the eligible participants under the RSU Scheme.

(m) Administration of the RSU Scheme

The Board has the authority to review and determine the execution, amendment and termination of the RSU Scheme, including but not limited to (i) determining the basis of eligibility for RSU Participants and determining, amending or waiving any terms of conditions in relation to the grant of RSU under the RSU Scheme; (ii) determining the way of allotment and issuance of the Shares under the RSU Scheme; (iii) determining the form, rules and procedures of the RSU Scheme; and (iv) taking all necessary and appropriate actions in any other ways to fulfill the purpose of the RSU Scheme.

Our Board has established an employee incentive working group, which is responsible for the day-to-day management of the RSU Scheme.

(n) Amendment of the RSU Scheme

Any amendment to the RSU Scheme shall be approved by resolutions of the Board.

(o) Termination of the RSU Scheme

The termination of the RSU Scheme shall be approved by the Board. In the event that both the Company and the RSU Participants agree to terminate the RSU Scheme, all unvested RSUs of the RSU Participants shall immediately lapse, and the exercise of the vested RSUs pursuant to the terms of the RSU Scheme shall not be impacted.

(p) Takeovers, Mergers or Change in Control of the Company

(i) If there occurs an event of takeovers, mergers or change in control of the Company, which causes the RSU Scheme to terminate, all unvested RSUs of the RSU Participants shall be vested in an accelerated manner, and the exercise of the vested RSUs pursuant to the terms of the RSU Scheme shall not be impacted.

(ii) If there occurs an event of takeovers, mergers or change in control of the Company, which causes the RSU Scheme to be replaced by a new one, then all RSU Participants will be transferred to the new scheme, whose terms shall not make adjustments damaging the RSU Participants' interests. Otherwise the RSU Participants shall have the right to require the vesting of unvested RSUs in an accelerated manner and require the Company to repurchase the vested RSUs at fair value of relevant transactions.

(iii) If there occurs an event of takeovers, mergers or change in control of the Company, which has no effect on the RSU Scheme, then no amendment will be made to the RSU Scheme.

(q) Dissolution, Winding-up or otherwise being Forced to Close by Operation of Law

In the event of dissolution, winding-up of the Company or that the Company is otherwise forced to close down by operation of law, all unvested RSUs of the RSU Participants shall immediately lapse, and the exercise of the vested RSUs pursuant to the terms of the RSU Scheme shall not be impacted.

(r) Promotion or demotion of the RSU Participants

(i) If a RSU Participant is promoted to a higher position, the Board may at its discretion grant more RSUs to such RSU Participant with reference to the incentive criteria of such higher position, subject to applicable grant conditions and the RSU Scheme Limit. The exercise price for such additional grant will be determined taking into account the valuation of the Company and the discount rate.

(ii) If a RSU Participant is demoted to a lower position, in principle the RSUs already granted to such RSU Participant will not be impacted, provided that the vesting of RSUs may be affected if such RSU Participant fails to meet relevant performance targets.

(s) Adjustment of RSUs Granted due to RSU Participants' Personal Reasons

(i) If there occurs an event of breach of applicable laws, negligence or misconduct in work, disclosing of confidential information or breach of non-compete clauses (including working at other companies that compete with the Group, participating in activities that compete with the Group's business) or otherwise damaging the interests of the Company by any RSU Participant, all unvested RSUs of such RSU Participant shall immediately lapse, and the Company is entitled to repurchase the vested RSUs in a compulsory manner or require such RSU Participant to return all proceeds obtained under the RSU Scheme.

(ii) In the event that any RSU Participant, due to incapability or failure to pass the performance review, is disqualified as an RSU Participant, dismissed by the Company, voluntarily resigns upon the Company's consent or agrees to not extend his/her employment contract upon its expiry, all unvested RSUs of such RSU Participant shall immediately lapse, and the exercise of the vested RSUs pursuant to the terms of the RSU Scheme shall not be impacted.

(iii) If there occurs an event of termination of employment due to retirement of any RSU Participant, or disability or death of any RSU Participant caused by industrial injuries, all unvested RSUs of such RSU Participant shall be vested, subject to any adjustment due to delay of the [**REDACTED**]. And the exercise of the vested RSUs of such RSU Participant pursuant to the terms of the RSU Scheme shall not be impacted.

(iv) If there occurs an event of termination of employment due to disability or death of any RSU Participant not caused by industrial injuries, all unvested RSUs of such RSU Participant shall immediately lapse, and the exercise of the vested RSUs pursuant to the terms of the RSU Scheme shall not be impacted.

(v) In case there occurs other special events not stated in the above, the Board shall resolve otherwise as appropriate.

(t) Payment of Dividend and Reorganization of Capital Structure

In the event of payment of dividends or stock dividends or an alteration of the capital structure of the Company by way of capitalisation of capital reserve, share subdivision or stock reduction whilst any RSU has not been vested, the Board may, in accordance with the terms of the RSU Scheme, adjust the number and exercise price of such unvested RSUs by resolution.

(u) Dispute Resolution

Any dispute arising from the execution of, or in connection with, the RSU Scheme between the Company and the RSU Participants shall be settled through friendly consultations. If within sixty days upon occurrence of the dispute, the parties did not or failed to settle such dispute through friendly consultations, both parties shall be entitled to refer such dispute to arbitration administered by the Hong Kong International Arbitration Centre (HKIAC).

(v) Details of RSUs granted

As of the Latest Practicable Date, 83 RSU Participants have been grant the RSUs under the RSU Scheme with a total of 19,000,000 underlying Shares, representing approximately 1.96% of the Company's total issued share capital immediately prior to the [**REDACTED**]. The granted RSUs will be vested in five equal installments upon every twelve months following the date of grant, provided that none of the RSUs shall vest within six months following the [**REDACTED**].

Details of the RSUs granted to Directors, senior managers and connected persons of our Company are set out as below:

RSU Participant	**Address**	**Relationship with the Company**	**Number of underlying Shares granted**	**Approximately shareholding percentage in the total issued Shares immediately before completion of [REDACTED]**
Mr. Yan	No. 1808, No. 35, Gaoxin Road, Yanta District, Xi'an, Shaanxi Province, PRC	Chairman of the Board, executive Director and chief executive officer	10,459,502	1.079%
Ms. Ye Juan	No. 12-2-205 North, No. 127 Youyi West Road, Beilin District, Xi'an, Shaanxi Province, PRC	Executive Director and senior vice president	681,000	0.070%

RSU Participant	Address	Relationship with the Company	Number of underlying Shares granted	Approximately shareholding percentage in the total issued Shares immediately before completion of [REDACTED]
Ms. Fang Juan	701, Unit 5, Building 3, Rongxin Park, Rongxin Road, Yanta District, Xi'an, Shaanxi Province, PRC	Executive Director and senior vice president	855,333	0.088%
Ms. Yan Yajuan	East 5/F, Unit 1, Building 8 Zone B, Jinxiu Yuan Qinyang Huayuan, East Shiji Avenue, Qindu District, Xianyang, Shaanxi Province, PRC	Senior vice president	737,500	0.076%
Ms. Zhang Huijuan	Building 7, Fengcheng No. 9 Community, Fengcheng 9th Road, Xi'an, Shaanxi Province, PRC	Chief financial officer	800,000	0.083%
Mr. Duan Zhiguang	No. 1 Taibai North Road, Beilin District, Xi'an, Shaanxi Province, PRC	Senior vice president	510,000	0.053%

Save as disclosed above, none of the RSU Participants is entitled to more than 0.05% underlying Shares of the Company's total issued share capital immediately prior to the [**REDACTED**]. All the RSUs with a total of 19,000,000 underlying Shares have been granted prior to the Latest Practicable Date.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the [**REDACTED**] for the [**REDACTED**] of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [**REDACTED**] (including any Shares which may be issued pursuant to the exercise of the [**REDACTED**]). All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Joint Sponsors, pursuant to which our Company agreed to pay each Joint Sponsor a fee of US$300,000 to act as a sponsor to our Company in the [**REDACTED**].

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and/or the references to their names included herein in the form and context in which they are respectively included.

As of the Latest Practicable Date, none of the experts named below has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO

Name	Qualification
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Jingtian & Gongcheng	Qualified PRC Lawyers
Guantao Law Firm	Qualified PRC Lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

5. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Compliance Adviser

Our Company have appointed Somerley Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

8. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

9. No Material Adverse Change

The Directors confirm that there has been no material adverse change in our financial or trading position since May 31, 2022.

10. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise; and

(ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this document:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries; and

(ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) Save as disclosed in the paragraph headed "B. Further Information about our Business – 1. Summary of Material Contracts" in this section, none of our Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document within the two years immediately preceding the date of this document.

(e) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

(f) There has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months.

(g) Save as disclosed in this document, our Company has no outstanding convertible debt securities or debentures.

(h) There is no arrangement under which future dividends are waived or agreed to be waived.

FURTHER INFORMATION ABOUT OUR GROUP

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of the [**REDACTED**];

(b) the written consents referred to under the paragraph headed "Statutory and General Information – E. Other Information – 4. Consents of Experts" in Appendix IV to this document; and

(c) copies of the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **http://www.xajuzi.com** during a period of 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountant's Report of our Group from Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the report on the unaudited [**REDACTED**] financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022;

(e) the PRC legal opinion issued by Jingtian & Gongcheng, our legal advisors as to PRC law, in respect of certain general corporate matters and property interests of our Group;

(f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisors as to Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(g) the Cayman Companies Act;

(h) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a summary of which is set forth in the section headed "Industry Overview" in this document;

(i) the written consents referred to under the paragraph headed "Statutory and General Information – E. Other Information – 4. Consent of Experts" in Appendix IV to this document;

(j) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this document; and

(k) the service contracts with our Directors referred to in "Statutory and General Information – C. Further Information about Our Directors – 1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this document.