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GIANT BIOGENE HOLDING CO., LTD

巨子生物控股有限公司

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

(Stock code: 2367)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Changes
	2024 RMB million	2023 RMB million	
Revenue	2,540.4	1,605.7	58.2%
Gross profit	2,093.2	1,351.0	54.9%
Profit before tax	1,155.2	775.6	49.0%
Net profit	980.6	666.0	47.2%
Earnings attributable to the owners of the parent	983.2	666.9	47.4%
Adjusted net profit for the period (non-IFRS measure)	1,026.6	676.4	51.8%
Basic earnings per share	0.99	0.67	47.8%
Diluted earnings per share	0.97	0.66	47.0%

The board (the “**Board**”) of directors (the “**Directors**”) of Giant Biogene Holding Co., Ltd (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) with the comparative figures for the corresponding period in 2023. The aforesaid interim results have been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) and have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

		For the six months ended 30 June	
	<i>Notes</i>	2024	2023
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
REVENUE	4	2,540,432	1,605,698
Cost of sales		<u>(447,192)</u>	<u>(254,702)</u>
Gross profit		<u>2,093,240</u>	<u>1,350,996</u>
Selling and distribution expenses		(892,020)	(555,177)
Administrative expenses		(65,650)	(47,484)
Research and development expenses		(48,701)	(34,009)
Other expense		(1,338)	(968)
Other income	4	52,428	33,304
Other gains or losses, net		17,775	28,646
Finance cost		(54)	(57)
Reversal of impairment losses on financial assets, net		<u>(490)</u>	<u>332</u>
PROFIT BEFORE TAX	5	1,155,190	775,583
Income tax expense	6	<u>(174,640)</u>	<u>(109,560)</u>
PROFIT FOR THE PERIOD		<u>980,550</u>	<u>666,023</u>
Attributable to:			
Owners of the parent		983,164	666,940
Non-controlling interests		<u>(2,614)</u>	<u>(917)</u>
		<u>980,550</u>	<u>666,023</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(8,248)</u>	<u>–</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation of the Company's functional currency to presentation currency		<u>9,830</u>	<u>–</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>1,582</u>	<u>–</u>

		For the six months ended 30 June	
	<i>Notes</i>	2024	2023
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		982,132	666,023
		<hr/>	<hr/>
Attributable to:			
Owners of the parent:			
Ordinary shareholders of the parent		984,746	666,940
Non-controlling interests		(2,614)	(917)
		<hr/>	<hr/>
		982,132	666,023
		<hr/>	<hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	8		
Basic (RMB yuan)		0.99	0.67
Diluted (RMB yuan)		0.97	0.66
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		928,668	663,469
Other intangible assets		6,571	7,357
Right-of-use assets		46,875	48,155
Prepayments, other receivables and other assets, non-current		99,906	117,908
Deferred tax assets		156	1,110
Investments in associates		10,255	–
Total non-current assets		1,092,431	837,999
CURRENT ASSETS			
Inventories		333,740	200,440
Trade and bills receivables	9	195,918	102,029
Prepayments, other receivables and other assets, current		94,470	53,835
Financial assets at fair value through profit or loss ("FVTPL")		1,499,696	1,274,776
Cash and cash equivalents		4,564,386	2,503,999
Total current assets		6,688,210	4,135,079
CURRENT LIABILITIES			
Trade payables	10	337,106	133,109
Other payables and accruals		1,265,240	241,966
Tax payable		97,666	116,720
Lease liabilities, current		1,370	1,563
Deferred income		1,503	1,503
Contract liabilities		52,762	35,751
Total current liabilities		1,755,647	530,612
NET CURRENT ASSETS		4,932,563	3,604,467
TOTAL ASSETS LESS CURRENT LIABILITIES		6,024,994	4,442,466

<i>Notes</i>	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Lease liabilities, non-current	87	1,166
Deferred income	18,857	19,575
Deferred tax liabilities	<u>31,202</u>	<u>50,675</u>
Total non-current liabilities	<u>50,146</u>	<u>71,416</u>
Net assets	<u>5,974,848</u>	<u>4,371,050</u>
EQUITY		
Equity attributable to owners of the parent		
Ordinary share capital	65	63
Treasury shares	(1)	(1)
Reserves	<u>5,970,068</u>	<u>4,362,078</u>
	<u>5,970,132</u>	<u>4,362,140</u>
Non-controlling interests	<u>4,716</u>	<u>8,910</u>
Total equity	<u>5,974,848</u>	<u>4,371,050</u>

NOTES TO FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

In prior years based on the primary source of income from Chinese Mainland, the board of directors regarded RMB as the functional currency of the Company. From 2024, the Company has had more operating and financing activities denominated and settled in USD. Considering the above reasons, the board of directors have determined to change the functional currency of the Company from RMB to USD from 1 January 2024 accordingly to better reflect the economic substance of the Company, while the presentation currency of the Company remains unchanged as RMB. The change in functional currency of the Company was applied prospectively from the date of change in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates".

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to IAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

4. REVENUE AND OTHER INCOME

Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>2,540,432</u>	<u>1,605,698</u>

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Type of goods or services		
Sale of goods	<u>2,540,432</u>	<u>1,605,698</u>
Geographical market		
Chinese Mainland	<u>2,540,432</u>	<u>1,605,698</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>2,540,432</u>	<u>1,605,698</u>

Other income

An analysis of other income is as follows:

The Group

	For the six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Other income		
Government grants	13,241	7,747
Interest income	38,991	23,758
Others	<u>196</u>	<u>1,799</u>
	<u>52,428</u>	<u>33,304</u>

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	For the six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Cost of inventories, consumables and customized products		314,231	199,527
Depreciation of property, plant and equipment		18,843	15,154
Depreciation of right-of-use assets		1,223	980
Amortization of intangible assets		785	735
Provision for/(Reversal of) impairment of trade and bills receivables		477	(337)
Provision for impairment of prepayments, other receivables and other assets		13	5
Government grants	4	(13,241)	(7,747)
Marketing and promotion expenses		811,642	521,705
Bank interest income	4	(38,991)	(23,758)
Foreign exchange losses/(gains), net		4,796	(15,042)
Provision for impairment of inventories		863	648
Employee benefit expenses (including directors' and chief executive's remuneration):			
– Wages, salaries and allowances		81,757	51,819
– Pension scheme contributions, social welfare and other welfare		19,120	11,577
– Equity-settled share award expense		46,048	10,431
Other outsourcing labor costs		12,193	1,258

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

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Administrative expenses	14,485	8,240
Research and development costs	13,469	1,290
Selling and distribution expenses	16,167	509
Cost of sales	1,927	392
	46,048	10,431

6. INCOME TAX

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

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

Hong Kong profits tax has been provided at a rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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

Certain subsidiaries were entitled to a preferential company income tax rate of 15% during the period based on the revised version of Guidance Catalogue for Adjustment of Industrial Structure (2011 edition) (《產業結構調整指導目錄 (2011年本)》) applicable in 2020 and 2021 issued by the National Development and Reform Commission which was related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	169,763	103,900
Deferred tax	4,877	5,660
Total tax charge for the period	<u>174,640</u>	<u>109,560</u>

7. DIVIDENDS

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Final dividend declared for 2023 – RMB0.44 (2022: Nil) per ordinary share	449,536	–
Special dividend declared for 2023 – RMB0.45 (2022: Nil) per ordinary share	458,901	–
Total	<u>908,437</u>	<u>–</u>

The declared dividend were paid in July 2024.

No interim dividend has been paid or declared by the Company during the period (Six months ended 30 June 2023: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB983,164,000 (six months ended 30 June 2023: RMB666,940,000) and the weighted average number of ordinary shares of 988,391,916 (2023: 995,000,000) in issue during the period, as adjusted to reflect the placing of existing shares and top-up subscription of new shares under the general mandate during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed vest of shares under the RSU Scheme and the 2023 Share Option Scheme.

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary shares holders of the parent, used in the basic earnings per share calculation	<u>983,164</u>	666,940
Total	<u>983,164</u>	<u>666,940</u>
	30 June 2024	30 June 2023
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	988,391,916	995,000,000
Effect of dilution – weighted average number of ordinary shares:		
RSU Scheme	5,479,715	10,692,319
2023 Share Option	19,033,962	–
Total	<u>1,012,905,593</u>	<u>1,005,692,319</u>

9. TRADE AND BILLS RECEIVABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within one year	195,450	101,545
Over one year and within two years	112	100
Over two years and within three years	64	129
Over three years	292	255
	<u>195,918</u>	<u>102,029</u>

10. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within one year	325,268	126,432
Over one year and within two years	7,299	5,663
Over two years	4,539	1,014
	<u>337,106</u>	<u>133,109</u>

11. COMMITMENTS

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

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Buildings	169,751	349,281
Plant and machinery	70,067	140,942
	<u>239,818</u>	<u>490,223</u>

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

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Capital contribution to an associate	11,000	16,000
	<u>11,000</u>	<u>16,000</u>

I. BUSINESS REVIEW

We are committed to bringing technology from the laboratory to daily life and aim to become a leading enterprise in the field of beauty and health in China. During the Reporting Period, Euromonitor International, the world's leading market research organization, issued an article in which the Company was recognized as the "Global Leader in Recombinant Collagen", which further consolidated the Company's position as a global leader in the field of recombinant collagen. In the first half of 2024, although the external environment was still full of challenges, we carried out our research and development activities and submitted applications for new technology and products according to our established plan and schedule, launched new flagship products to enhance our product mix, increased and intensified the promotion and marketing efforts for the Company and its brand, expanded the reach of the channels and continued to optimize the capability of omni-channel operations. We will keep upholding our original commitment and make solid and steady strides, so as to bring better experience to the consumers and make contribution to the healthy development of the industry.

During the Reporting Period, our sales revenue amounted to RMB2,540 million, representing a year-on-year increase of 58.2%; our adjusted profit amounted to RMB1,030 million, representing a year-on-year increase of 51.8%.

Continuing to Consolidate the Technology Leadership Position Driven by Research and Development

To realize the long-term development, it is vital for the Company to set its base on scientific technology and focus on putting effort into research and development and innovation. During the Reporting Period, the Company's research and development expenditure was RMB49 million, representing a year-on-year increase of 43.2%. Research and development expenditure accounted for 1.9% of our revenue. As of the end of the Reporting Period, the Company had over 100 projects under research. During the Reporting Period, we continued to advance the clinical applications for the recombinant collagen skin rejuvenation products.

Our technology has been recognized by professionals and has maintained its leading edge. During the Reporting Period, the China Petroleum and Chemical Industry Federation hosted an appraisal meeting on the scientific and technological achievements of "Yeast-Made Low Immunoregeneration Recombinant Collagen and its Application", which was jointly completed by Northwest University (西北大學) and Xi'an Giant Biogene Technology Co., Ltd. (西安巨子生物基因技術股份有限公司). The appraisal committee unanimously concluded that Yeast-Made Low Immunoregeneration Recombinant Collagen and its Application has reached the international leading standards as a whole.

As of the end of the Reporting Period, the Company had 133 granted patents and patent applications, of which 40 were added during the Reporting Period. The Company was granted three international invention patents by PCT, namely, a pharmaceutical composition containing ginsenosides Rh3, PPD and Rh2, a ginsenoside composition with the function of preventing and controlling alcoholic fatty liver, and a pharmaceutical composition and its use, which was a major breakthrough of the Company's scientific and technological innovations and intellectual property rights, and provided a strong support for the future conversion of scientific research results and the internationalization process.

Optimizing the Product Matrix, with Star Products Growing with the Trend and New Products Being Launched

A product is the link between consumers and the brand, and the vehicle that creates trust. As consumers' preference returned to the essence of skincare products, premium products would be the Company's key to success. As the first enterprise in the world to achieve commercial mass production of recombinant collagen skincare products, we have been offering to the consumers more and better products, ranging from medical devices to functional skincare products, so as to reach and serve a wider range of would-be customers through our product matrix. We have extended the user consumption cycle and improved average revenue per customer, and thus consolidated the brand's mindshare and enhance our brand equity. During the Reporting Period, the classic star products under our brands maintained a steady growth, and we gradually extended our new series lines and strengthened our product layout in high mindshare categories such as creams and essence, in an effort to achieve more balanced and sustainable growth.

With the brand philosophy of "Skin problems, find Comfy (皮膚有問題，就找可復美)", Comfy insists on implementing our product strategy of "synergy of medical device and cosmetics (械妝協同)". Our star product Comfy Recombinant Collagen Dressing ("**Collagen Dressing**") of the medical device series has been the best seller for more than a decade since its launch in 2011. In the 618 shopping festival in 2024 ("**618 Shopping Festival in 2024**"), the Collagen Dressing once again ranked No. 1 in Tmall's Wound Dressing Category, No. 1 in Tmall's Medical Dressing Hot List and No. 1 in JD.com's Medical Beauty Care Category during the Reporting Period.

Comfy Human-like Recombinant Collagen Restoration Single Use Essence (可復美 Human-like 重組膠原蛋白肌禦修護次拋精華) ("**Comfy Collagen Stick** (可復美膠原棒)", with its outstanding quality and our extensive marketing efforts, continued to turn strangers into our customers and thus steadily enhanced its reputation and increased its sales volume, and has grown into the Company's No. 1 star single product. During the 618 Shopping Festival in 2024, Comfy Collagen Stick proudly ranked top on a number of lists on mainstream e-commerce platforms, including TOP1 in the Facial Essence Category on Tmall (天貓面部精華類目TOP1), TOP1 in the Liquid Essence Hot Sales List on Tmall (天貓液態精華熱賣榜TOP1), TOP1 in Repair Essence Hot List on Tmall (天貓修復精華熱賣榜TOP1), and TOP1 in the Liquid Essence Hot Sales List in Domestic Products Category on Douyin (抖音液態精華類目國貨TOP1). In the future, we will continue to tap the growth potential of Comfy Collagen Stick through attracting new customers and operations, innovative marketing campaigns for our products and our brands, and omni-channel efforts.

During the Reporting Period, Comfy brand further expanded its series matrix and proudly launched the new “Focus Series”, which focused on people with sub-healthy skin conditions and targeted to improve the sub-healthy skin conditions such as uneven skin tone, poor or dull complexion, sudden face sunken and swollen face from its root causes including staying up late and waking up early, heavy workloads, emotional fluctuations and ultraviolet radiation damage, which would provide a better solution for repairing sub-healthy skin conditions. In April 2024, Comfy Focus Cream (可復美焦點面霜) was launched. As the first core product of the series, Comfy Focus Cream adopts the Company’s proprietary 3R light-emulsion time repair system (3R光奕律時修護體系), which takes keratinocytes as the breakthrough point and uses a multi-channel approach to solve the sub-healthy skin problem, to bring out the brightness, elasticity and toughness of skin in three steps. During the 618 Shopping Festival in 2024, Focus Cream was ranked TOP1 on Tmall’s New Cream List (天貓面霜新品榜TOP1) and TOP1 on Douyin’s Popularity List of Brand Collagen Creams (抖音品牌膠原蛋白霜人氣榜TOP1), reflecting the outstanding quality of the product, its precise and fast reactive positioning for targeted consumers, and the initial success of our innovative promotion and customer operations, which has laid a foundation for the medium- and long-term growth of the single product, series, and even the brand, and Focus Essence (焦點精華), Focus Mask (焦點面膜) and Focus Spreading Mask (焦點塗抹面膜) have been launched one after another, which has begun to form a product matrix to provide consumers with a full range of repair solutions. In June 2024, Comfy Regular Series (可復美秩序系列) launched the new Comfy Regular Pimple Stick (可復美秩序點痘棒), which adopts the “S+” Ginseng Extract Dual-Action Acne Cleansing Power System (參萃淨痘雙效動力系統), and is based on the core of the Company’s proprietary research on rare ginsenosides CK, with dual formulas to deal with acne-prone skins day and night, deflating acne at night time and lightening marks at day time. During the 618 Shopping Festival in 2024, the Regular Pimple Stick ranked TOP1 in the Restoration Essence of New Product List on Tmall (天貓修復精華新品榜TOP1), together with the existing Regular Series of single products, building a complete oil control acne product portfolio.

During the Reporting Period, the Comfy brand achieved revenue of RMB2,071 million, representing a year-on-year increase of 68.6%.

We are committed to cultivating the brand’s mindset of “Proprietary Recombinant Collagen Anti-Aging” for Collgene. During the Reporting Period, Inner Vitality Series (蘊活系列) was launched, Collgene Roll Eye Cream (可麗金膠捲眼霜), Face Cream (面霜), Eye Mask (眼膜) and other major single products were also launched one after another. Collgene Roll Face Cream (可麗金膠捲面霜) adopts the “five causes and four steps” anti-wrinkle and firming formula system developed by the Company to tackle the internal and external causes of skin aging by building a four-step anti-wrinkle and firming chain with layers of support to realize the “internal firming, external lifting, and bright complexion”. Collgene, together with Beauty Evolution, a prestige ingredient testing platform, conducted a 100-person trial use activity for Collgene Roll Eye Cream and Collagen Roll Face Cream, with a 99% positive feedback rate for the two products, and a score of 4.64 points which was higher than the industry’s average score for eye creams and face creams. This was a true feedback of the trial use that confirmed the high quality of Collgene’s star products. Meanwhile, we continued to strengthen the construction and investment in public domain channels to optimize the channel structure and enhance brand awareness. During the Reporting Period, Collgene brand achieved revenue of RMB396 million, representing a year-on-year increase of 23.6%.

Intensifying Universal Marketing Efforts, Delivering Corporate and Brand Value Propositions, and Enhancing the Influence in the Industry

We continued to promote the healthy development of recombinant collagen in the field of scientific research and practical application through various academic exchange activities and seminars so that the Chinese-developed ingredients would be able to go further, and continued to strengthen the image of the Company as a leader in recombinant collagen. During the Reporting Period, the Company and its brands were invited to participate in a number of academic conferences in the plastic and dermatology industry, including the 2024 Fifth Academic Exchange Conference of Plastic Surgery Ceremony (2024第五屆整形大典學術交流大會), the 23rd International Congress of Plastic & Reconstructive Surgery in Shanghai and the 13th International Symposium on Plastic & Cosmetic Surgery in Shanghai (第二十三屆上海國際整形美容外科會議暨第十三屆上海整形美容論壇), the 17th Mevos International Congress of Aesthetic Surgery and Medicine (第十七屆美沃斯國際醫學美容大會), the 29th Annual Meeting of Chinese Society of Dermatology (CSD) 2024 (CSD2024中華醫學會第二十九次皮膚性病學術年會), and the 19th Chinese Medical Association Aesthetic Medicine Conference (中華醫學會第十九次醫學美容學術大會), with authoritative experts and industry peers to exchange earnestly the news of industry and academic achievements, to jointly promote the development of new technology and the innovative application, and to help the industry continue to prosper and develop. Meanwhile, the seminars on “Recombinant Collagen” were successfully held in Anhui and Shandong during the Reporting Period, which continued to help the deeply integration of scientific research and clinical application of the recombinant collagen industry in China and explore the future development of the recombinant collagen industry together.

As the application of recombinant collagen in the beauty industry increased rapidly, we further increased our marketing efforts for our brands to the public. With the integration of the scientific descriptions with brand propositions and through various online and offline activities, we reached out to the consumers to increase our brand popularity and enhance our interaction with them, so as to achieve a professional and sincere brand communication. In March 2024, Comfy announced Ye Shiwen, a world champion swimmer, as its essence brand ambassador to further connect the consumers with our shared ideas of dedication, professionalism, discipline and growth to excellence, and to advocate our brand values of “truth, goodness and beauty”. On 20 May 2024, China’s Valentine’s Day, Comfy carried out a special program titled “Love Has No Expiry And Goes Far Beyond Today” to launch the limited-edition of Comfy “Luck Stick (幸運棒)”, aiming to encourage people to show their unlimited love with little things in daily lives. In May and June 2024, Comfy joined Xiaohongshu to roll out an essence cream under a new flagship product IP, with scenario-based demonstration, comprehensive content matrix to highlight its features, and multi-account and multi-touchpoint exposure to enhance its popularity, reaching a total of more than 200 million views. While the new products were being brought to the market, we also expanded our consumer reach and earned a positive reputation for our brand. In addition, Comfy launched a campaign for recycling empty bottles with the theme of “All things, cycling round and round and living together, will return to beauty”, in order to encourage consumers to practice green life, to interact with consumers effectively, and advocate our brand value proposition of sustainable development.

In addition to online channels, we also conducted a variety of offline promotion campaigns for the brands. In April 2024, the Company and its brands were invited to China International Consumer Products Expo for three consecutive years and to Xi’an Famous Consumer Products Trading Project Signing Ceremony, which showcased the strength of China’s brands to the global consumers. During the Reporting Period, Comfy and Collgene placed advertisements in transportation hubs such as Xi’an Xianyang International Airport and Xi’an North Railway Station, on outdoor LED screens of commercial centers, including Chongqing Jiefangbei Building, Chongqing Guanyinqiao Sky Street and Wuhan World City Guanggu Pedestrian Street, as well as on community screen swipers, elevator signboards and smart screens in Beijing, Shanghai, Guangzhou, Shenzhen, Xi’an and Chengdu, etc., enabling the brands to reach a wider consumer base and leave an indelible impression.

Expanding Channel Touchpoints, Refining Customer Experience, Products and Stores, and Improving Operational Efficiency

We insisted on the implementation of omni-channel layout that features offline and online channels with both professionals and public as targeted audience. For offline channels, we deepened those targeted at professionals, and consolidated our leading position in public and private hospitals and clinics, while strengthening product mix and optimized our operations in pharmacies and CS/KA stores to provide differentiated shopping experience. As of the end of the Reporting Period, our products were sold through offline direct sales and distributors channels to approximately 1,500 public hospitals, approximately 2,700 private hospitals and clinics, approximately 650 pharmacy chain brands and about 6,000 CS/KA stores in China. In addition, since the opening of the first offline Comfy outlet at the end of 2023, we have been gradually exploring the extension of the offline business layout, and have opened approximately 10 offline stores in shopping centers in key cities such as Xi'an, Chongqing and Chengdu, etc as of the end of the Reporting Period. Notably, Comfy's first flagship store in the country, which commenced operation in Chongqing Wanxiang City on 16 June 2024, is consisted of skin testing area, product experience area and beauty care area, creating a one-stop shopping and skin care center and thus offering consumers a new skin treatment experience with higher level of sophistication, professionalism and technology.

We also engaged in sales and promotions through e-commerce and social media platforms such as Tmall, Douyin, JD.com, Xiaohongshu and Kwai. During the Reporting Period, we expanded our team and kept pace with changes through rapid iteration. We grasped opportunities to refine customer experience, products and stores for wider customer base, and at the same time improved marketing efficiency to drive healthy growth in multiple categories. In Tmall, we focus on building strategic new products and relied on brand users for promotion to improve operational efficiency, thereby realizing sequential growth. We also leveraged on the hot-selling products to unceasingly deepen the penetration in related categories and expand the customer base for the brands. In Douyin, on the one hand, we adjusted our broadcasting strategy to control and stabilize customers' unit purchase price, with a view to acquiring new users; on the other hand, we restructured our live broadcasts, innovated the contents, and continued to improve the conversion efficiency through the concept of differentiated product grouping. In JD.com, we completed the switch to two categories by operating simultaneously health and cosmetics items, while building resources with the platform, investing in the relationship with high-quality people for platform operation, and optimizing the large single product matrix. In Xiaohongshu, we constructed a live broadcasting room for brand image, emphasizing the creation of brand concept, and kept expanding the base of more quality customers with the output of high-quality content. All major e-commerce channels achieved faster growth during the Reporting Period, with the online omni-channel GMV growth rates of Comfy and Collgene exceeding 60% and 100% respectively during the 618 Shopping Festival in 2024.

During the Reporting Period, our direct sales channels and distribution channels generated revenue of RMB1,838 million and RMB702 million, accounting for 72.4% and 27.6% of the total, respectively. Revenue contribution from direct sales increased by 4.9 percentage points year on year.

Steadily Expanding Production and Ensuring Product Supply and Quality

We have pushed ahead with the planned expansion of production capacity to ensure the supply of high-quality products, so as to meet the ever-growing demand from consumers. During the Reporting Period, the Company added 1 cosmetic product line and 1 medical device line, and continued our construction of a new medical device factory and a new health product factory, of which the new medical device factories are expected to be put into operation successively within this year. In the “Commitment to Quality and Integrity of Products and Services (產品和服務質量誠信承諾)” campaign launched by the China Association for Quality Inspection on the International Consumers’ Rights Day (國際消費者權益日) on 15 March 2024, the Company was honored with the awards of “National Model Enterprise of Products and Services Quality Integrity (全國產品和服務質量誠信示範企業)”, “National Leading Brand in Quality in the Recombinant Collagen Industry (全國重組膠原蛋白行業質量領先品牌)”, and “National Consumer Quality Reputation Guaranteed Product (全國消費者質量信譽保障產品)”, which reflect that the technological strength, brand influence, and product quality of the Company are highly recognized by all walks of life and consumers.

Actively Undertaking Social Responsibility and Promoting the Healthy Development of the Industry

We emphasize participation in public welfare and charitable activities, and actively undertake our corporate social responsibility. During the Reporting Period, we joined hands with Shaanxi Charity Federation (陝西省慈善聯合會) to launch the “Guardian of Educators – Women’s Day Activity (守護教育工作者，三八節暖春愛心行動)”, donating more than RMB5 million worth of loving products to frontline educators and healthcare workers to convey respect and care. On the 18th Skincare Day on 25 May (525護膚日), we joined hands with the Chinese Medical Doctor Association (中國醫師協會) and the Cosmetic Dermatology Branch of the Chinese Medical Doctor Association (中國醫師協會皮膚科醫師分會) to have collaboration with hundreds of public hospitals, OTC pharmacy chains, and other channels, delivering scientific and rational skin care concepts to consumers through authoritative experts’ popularization of the science, free clinic for the public, lectures and samples distribution.

As a leading company, we also attach great importance to the health of the industry, and hope to practice high-quality and sustainable development from ourselves. On 15 March 2024, taking International Consumers’ Rights Day as an opportunity, we jointly announced the “Giant Biogene’ 315 Transparency Commitment (巨子315透明承諾)” with Xinhua News Network, the Swimming World Champion & Comfy Essence Brand Ambassador Ye Shiwen, Senior Lawyer Liu Siyuan, and Senior Media Personality Zhang Chun to promote the information transparency on recombinant collagen products, in an effort to create a safe and secure market environment for consumption, and to promote the transparent and standardized development of recombinant collagen.

II. BUSINESS OUTLOOK

Looking ahead to the second half of 2024, we will continue to invest in research and development, further enrich our raw material reserves and product layout, and continue to make progress in clinical application for the three types of medical devices. We will take new products and new series as the starting point, improve stores operation, expand customer base, and fully explore the growth opportunities of various platforms, so as to lay a solid foundation for the balanced growth of the brand in the medium to long term. We will intensify our efforts to build our corporate brand and invest more in the marketing of our brands, so as to attract consumers across the board with multiple touchpoints and promote our brand values. We hope to work together with our peers to create a bright future for Chinese ingredients and national cosmetics brands.

III. OPERATING RESULTS

Revenue

For the six months ended 30 June 2024, our total revenue was RMB2,540.4 million, representing an increase of 58.2% from total revenue of RMB1,605.7 million for the six months ended 30 June 2023. Such increase was mainly attributable to our continued expansion of product categories, deepening of online and offline channels, creation of star products and strengthening of marketing during the Reporting Period, which further increased the influence of our products and brands and resulted in a faster growth in sales revenue.

(i) Revenue by Product Category

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

	For the six months ended 30 June			
	2024		2023	
	Amount	%	Amount	%
	(Unaudited)		(Unaudited)	
	<i>(RMB in millions other than percentages)</i>			
Professional skin treatment products				
– functional skincare products	1,939.6	76.4	1,197.0	74.5
– medical dressings	592.2	23.3	397.8	24.8
Functional foods and others	8.6	0.3	10.9	0.7
Total	2,540.4	100.0	1,605.7	100.0

Our overall growth in revenue was primarily driven by the sales growth of professional skin treatment products, as we continued to strengthen our marketing activities across all channels, as well as solid growth in our best-selling classic products, rapid growth in our star products and successful new product launches.

(ii) *Revenue by Sales Channel*

During the Reporting Period, we sold our products through direct sales and sales to our distributors. We directly sold products to (i) consumers through direct-to-customer (DTC) stores on e-commerce and social media platforms; (ii) e-commerce platforms; and (iii) hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains. We also engaged distributors to sell and distribute our products to individual consumers, hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains. The following table sets forth the breakdown of our revenue by sales channel in absolute amounts and as a percentage of our total revenue for the periods indicated:

	For the six months ended 30 June			
	2024		2023	
	Amount	%	Amount	%
	(Unaudited)		(Unaudited)	
	<i>(RMB in millions other than percentages)</i>			
Direct sales				
– Online direct sales through our DTC stores	1,603.2	63.1	977.2	60.9
– Online direct sales to e-commerce platforms	167.4	6.6	68.8	4.3
– Offline direct sales	67.6	2.7	37.1	2.3
Subtotal	1,838.2	72.4	1,083.1	67.5
Sales to distributors	702.3	27.6	522.6	32.5
Total	2,540.4	100.0	1,605.7	100.0

Direct sales

Online direct sales through our DTC stores

During the Reporting Period, revenue from online direct sales through our DTC stores amounted to RMB1,603.2 million, representing an increase of 64.1% as compared to the corresponding period in 2023 and accounting for 63.1% of total revenue for the Reporting Period. Such increase was attributable to (1) our continued refinement of operations on multiple online platforms, which resulted in rapid growth in revenue from e-commerce platforms such as Tmall and Douyin; (2) the rapid increase in revenue from essence products and smear masks, such as the revenue contributed by Comfy Human-like Recombinant Collagen Restoration Single Use Essence (可復美Human-like重組膠原蛋白肌禦修護次拋精華) and Collgene Human-like Collagen LIFTACTIV Tightening Mask (可麗金Human-like膠原蛋白賦能珍萃緊致駐顏面膜); (3) the further enriched product matrix and the ongoing launch of new products including Face Cream; and (4) enhancement of brand recognition and affection through brand marketing and promotions to promote sales volume and revenue growth.

Online direct sales to e-commerce platforms

During the Reporting Period, revenue from online direct sales to e-commerce platforms amounted to RMB167.4 million, representing an increase of 143.3% as compared to the corresponding period in 2023, accounting for 6.6% of total revenue for the Reporting Period. Such increase was driven by our continuous optimization of our platform marketing strategies and product mix, which drove sales and revenue growth.

Offline direct sales

During the Reporting Period, revenue from offline direct sales amounted to RMB67.6 million, representing an increase of 82.2% as compared to the corresponding period in 2023 and accounting for 2.7% of total revenue for the Reporting Period. Such increase was attributable to the fact that, on the one hand, we continued to increase the number of stores and product coverage of our offline direct sales customers, such as pharmacy and cosmetic chains, and strengthened our store marketing activities and staff training, which drove the growth of revenue from this channel, and on the other hand, we continued to open offline Comfy flagship stores and standard stores in Xi'an, Chengdu, Chongqing and other cities, which increased the number of points of contact for sales, and thus further enhanced our revenue.

Sales to distributors

During the Reporting Period, revenue from sales to distributors amounted to RMB702.3 million, representing an increase of 34.4% as compared to the corresponding period in 2023, accounting for 27.6% of total revenue for the Reporting Period. Such increase was driven by our continued efforts to advance the coverage on the pharmacy and cosmetic chains, as well as the product coverage and distribution revenues.

(iii) Revenue by Brand

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

	For the six months ended 30 June			
	2024		2023	
	Amount	%	Amount	%
	(Unaudited)		(Unaudited)	
	<i>(RMB in millions other than percentages)</i>			
Professional skin treatment products				
– Comfy	2,070.9	81.5	1,228.2	76.4
– Collgene	396.1	15.6	320.5	20.0
– Other brands	64.9	2.6	46.1	2.9
Functional foods and others	8.6	0.3	10.9	0.7
Total	2,540.4	100.0	1,605.7	100.0

Professional skin treatment products

Comfy

During the Reporting Period, the sales revenue from Comfy amounted to RMB2,070.9 million, representing an increase of 68.6% as compared to the corresponding period in 2023 and accounting for 81.5% of total revenue for the Reporting Period. Such growth was attributable to (1) the further increase in brand influence as a result of our continued expansion of online and offline sales channels and optimization of our operating strategies; (2) the continued growth in revenue from star products such as Comfy Human-like Recombinant Collagen Restoration Single Use Essence (可復美Human-like重組膠原蛋白肌禦修護次拋精華); and (3) the continued expansion of products in the category of creams and other products such as the launch of the new product, Comfy Recombinant Collagen Luminous and Repair Essence Cream (可復美重組膠原蛋白光奕律時修護精華霜), contributing to the incremental revenue.

Collgene

During the Reporting Period, the sales revenue from Collgene amounted to RMB396.1 million, representing an increase of 23.6% as compared to the corresponding period in 2023 and accounting for 15.6% of total revenue for the Reporting Period. Such increase was attributable to (1) our continued expansion of online channels to further enhance brand awareness; and (2) the continued upgrading and iterative launch of new products, such as Collgene Recombinant Collagen Embodied Lifting and Firming Anti-Wrinkle Essence (可麗金重組膠原蛋白蘊活提拉緊塑抗皺精萃霜) and Collgene Recombinant Collagen Embodied Three Dimensional Firming and Light Lines Essence Eye Cream (可麗金重組膠原蛋白蘊活立體緊致淡紋精華眼霜), which contributed to incremental revenue.

Other Brands

During the Reporting Period, the sales revenue from other brands amounted to RMB64.9 million, representing an increase of 40.8% as compared to the corresponding period in 2023 and accounting for 2.6% of total revenue for the Reporting Period. Such increase was mainly due to the growth in sales volume of products from the brand Ke Yu (可預).

Functional foods and others

During the Reporting Period, the sales revenue from functional foods and others amounted to RMB8.6 million, representing a decrease of 21.1% as compared to the corresponding period in 2023 and accounting for 0.3% of total revenue for the Reporting Period. Such decrease was mainly attributable to adjustments to functional food channels and promotion strategies.

Cost of sales

For the six months ended 30 June 2024, cost of sales amounted to RMB447.2 million, representing an increase of 75.6% from RMB254.7 million for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in product sales volume, which resulted in (1) the increase in total material costs from RMB199.5 million for the same period in 2023 to RMB314.2 million for the Reporting Period; (2) the corresponding increase in logistics expenses; and (3) the purchase of new equipment and the increase in the number of frontline staff for the purpose of expanding the scale of regeneration, which directly led to the increase in manufacturing expenses and labor costs.

Gross profit and gross profit margin

For the six months ended 30 June 2024, gross profit amounted to RMB2,093.2 million, representing an increase of 54.9% from RMB1,351.0 million for the six months ended 30 June 2023, which was mainly due to the increase in sales revenue.

Gross profit margin decreased from 84.1% for the six months ended 30 June 2023 to 82.4% for the six months ended 30 June 2024, which was mainly due to the expansion of product types and increased cost of sales.

Selling and distribution expenses

For the six months ended 30 June 2024, selling and distribution expenses amounted to RMB892.0 million, representing an increase of 60.7% from RMB555.2 million for the six months ended 30 June 2023. Such increase was mainly due to the increase in online marketing expenses as a result of the rapid expansion of our online direct sales channels.

Research and development costs

For the six months ended 30 June 2024, research and development costs amounted to RMB48.7 million, representing an increase of 43.2% from RMB34.0 million for the six months ended 30 June 2023, and accounting for 1.9% and 2.1% of our revenue for the six months ended 30 June 2024 and for the six months ended 30 June 2023, respectively. Such increase was mainly attributable to higher employee compensation expenses as a result of our continued investment in basic research and research and development of our pipeline products, as well as the increase in the number of research and development personnel.

Other income

For the six months ended 30 June 2024, other income amounted to RMB52.4 million, representing an increase of 57.4% from RMB33.3 million for the six months ended 30 June 2023. Such increase was mainly attributable to the increase in interest income.

Other gains, net

For the six months ended 30 June 2024, other net gains amounted to RMB17.8 million, representing a decrease of 37.9% from RMB28.6 million for the six months ended 30 June 2023. Such gain was mainly attributable to the fair value gains on financial assets at fair value through profit or loss.

Administrative expenses

For the six months ended 30 June 2024, administrative expenses amounted to RMB65.7 million, representing an increase of 38.3% from RMB47.5 million for the six months ended 30 June 2023, which was mainly attributable to the increase in employee compensation expenses due to increase in the number of management personnel.

Income tax expense

For the six months ended 30 June 2024, income tax expense amounted to RMB174.6 million, representing an increase of 59.3% from RMB109.6 million for the six months ended 30 June 2023, which was mainly due to the increase in our taxable revenue.

Profit for the period

As a result of the foregoing, for the six months ended 30 June 2024, profit for the period amounted to RMB980.6 million, representing an increase of 47.2% from RMB666.0 million for the six months ended 30 June 2023.

Basic and diluted earnings per share

For the six months ended 30 June 2024, the basic earnings per share amounted to RMB0.99, representing an increase of 47.8% from RMB0.67 for the six months ended 30 June 2023. For the six months ended 30 June 2024, the diluted earnings per share amounted to RMB0.97, representing an increase of 47.0% from RMB0.66 for the six months ended 30 June 2023. The increase in basic and diluted earnings per share was mainly due to the increase in profit for the year.

Gearing ratio

Gearing ratio represents the percentage of interest-bearing borrowings to total equity. As of 30 June 2024, we did not have any outstanding bank loans or other borrowings. As a result, gearing ratio was not applicable as of 30 June 2024.

INTEREST EXPENSE OF BANK AND OTHER BORROWINGS

As of 30 June 2024, the Group had no bank and other borrowings, and incurred no related interest expenses.

TREASURY POLICY

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

PLEDGE OF ASSETS

As of 30 June 2024, the Group did not pledge any assets.

MATERIAL INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2024, the Group had no material investments with a value of 5% or more of the Group's total assets as at 30 June 2024 (including any investment in an investee company with a value of 5% or more of the Group's total assets as at 30 June 2024), nor had any material acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group had no specific plan for material investments and purchase of capital assets as of 30 June 2024.

LIQUIDITY AND CAPITAL RESOURCES

As of 30 June 2024, our liquidity amounted to RMB4,564.4 million, which consisted of cash and cash equivalents, representing an increase of 82.3% from RMB2,504.0 million for the year ended 31 December 2023.

RISK MANAGEMENT

Foreign Currency Risk

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

Credit Risk

Receivable balances are monitored on an on-going basis, and the Group's exposure to bad debts risk is not significant. As of the end of the Reporting Period, the Group was subject to concentrations of credit risk to some extent, as our cash and cash equivalents were deposited in a few financial institutions. As of the end of the Reporting Period, the cash and cash equivalents were deposited in highly trustworthy financial institutions without significant credit risk. There are no significant concentrations of credit risk within the Group in respect of trade and other receivables.

Liquidity Risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents which are deemed adequate by the management of the Group to finance our operations and mitigate the effects of fluctuations in cash flows.

CONTINGENT LIABILITIES

As of 30 June 2024, the Group had no material contingent liabilities.

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

As of 30 June 2024, our capital commitments mainly consisted of plant, machinery and buildings amounting to RMB239.8 million. The Company recorded capital expenditures of RMB164.7 million for the six months ended 30 June 2024, which were primarily used for construction of new plants and purchase of production line equipment.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of 30 June 2024, the Group had 1,512 full-time employees, the majority of whom were based in Shaanxi Province, China. The following table sets forth the number of employees of the Group categorized by function as of 30 June 2024:

Function	Number of Employees	% of Total
Manufacturing	604	39.9
Research and development	175	11.6
Sales and marketing	454	30.0
General and administration	279	18.5
Total	1,512	100.0

Our success depends on our ability to attract, retain and motivate qualified personnel. We recruit employees through channels such as campus recruitment and experienced personnel hiring to reach talents with education background in relevant subjects or work experiences in relevant industries for our research and development, sales, management, operation and other teams. We evaluate each candidate based on his/her educational background, expertise, necessary skills, interview performance, relevant experience, and professional ethics. As part of our human resources strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives. We have adopted a comprehensive training protocol, pursuant to which we provide pre-employment training to our new employees and pre-job transfer training to internal transferred employees, and continuing technical training to our employees on a regular basis. We also provide necessary training to employees who are responsible for quality control to ensure that they are competent for their work.

In December 2021, the Company adopted a restricted share unit (the “**RSU**”) scheme (the “**RSU Scheme**”) to improve the Group’s employee incentive and remuneration mechanism, attract and retain the senior management team and core talents. The maximum number of underlying shares of all RSUs granted under the RSU Scheme in aggregate shall not exceed 19,000,000 shares, representing approximately 1.85% of the total issued share capital of the Company as of the date of this results announcement. Prior to the Company’s listing on the Stock Exchange, 83 RSU Scheme participants had been granted RSUs under the RSU Scheme involving a total of 19,000,000 underlying shares.

On 17 August 2023, the 2023 share option scheme (the “**2023 Share Option Scheme**”) and the 2023 share award scheme (the “**2023 Share Award Scheme**”) were adopted at the general meeting of the Company. The purposes of these schemes were, among others, to attract suitable talents to promote further growth and development of the Group. The maximum number of shares may be issued pursuant to the 2023 Share Option Scheme and the 2023 Share Award Scheme in aggregate will be 99,500,000 shares, representing 9.68% of the total number of shares in issue of the Company as of the date of this results announcement. The maximum number of shares may be issued to service provider participants pursuant to the 2023 Share Option Scheme and the 2023 Share Award Scheme in aggregate will be 19,900,000 shares, representing 1.94% of the total number of shares in issue of the Company as of the date of this results announcement. On 28 December 2023, the Company granted an aggregate of 20,000,000 options to 128 eligible participants pursuant to the 2023 Share Option Scheme to subscribe for ordinary shares of US\$0.00001 each in the share capital of the Company. For details, please refer to the announcement of the Company published on the Stock Exchange on 28 December 2023.

INTERIM DIVIDENDS

The Board has resolved not to recommend the distribution of interim dividends for the six months ended 30 June 2024.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions set out in the Corporate Governance Code for the six months ended 30 June 2024, save for the deviations from code provision C.2.1.

According to code provision C.2.1 under the Corporate Governance Code, the roles of chairman of the board of directors and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman of the board of directors and chief executive officer should be clearly established and set out in writing. The roles of chairman of the Board and the chief executive officer are currently performed by Mr. Yan Jianya as the two functions have not been separated by the Company. In view of Mr. Yan's substantial contribution to the Group since its establishment and his extensive experience, the Company considers that having Mr. Yan Jianya acting as both the chairman of the Board and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of the business strategies of the Company. The Company considers it appropriate and beneficial to its business development and prospects that Mr. Yan Jianya continues to act as both the chairman of the Board and chief executive officer, and therefore it is currently not proposed to separate the functions of chairman of the Board and chief executive officer.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

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

PROCEEDS FROM THE GLOBAL OFFERING

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

- approximately 11% of the net proceeds will be used for the investment in research and development to enlarge our research and development team through recruitment, expand our research and development facilities and conduct testing and validation studies;
- approximately 28% of the net proceeds will be used for the expansion of manufacturing capacity with respect to our product portfolios and bioactive ingredients;
- approximately 46% of the net proceeds will be used to enhance our omni-channel sales and distribution network, and implement our science – and knowledge-driven marketing initiatives to enhance our brand recognition;
- approximately 5% of the net proceeds will be used for the enhancement of our operation and information systems, including (i) procurement of software and hardware; (ii) development of an integrated hybrid cloud infrastructure through investments in hardware such as servers and Internet services; and (iii) recruitment of IT specialists, including software developers and IT engineers; and

- approximately 10% of the net proceeds will be used for working capital and general corporate uses.

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

As of 30 June 2024, the use of net proceeds by the Group is set out below:

Purpose	% of use of proceeds raised	Net proceeds (HK\$ million)	Unutilized	Utilized	Accumulated	Unutilized	Expected
			amount as at 1 January 2024 (HK\$ million)	amount during the six months ended 30 June 2024 (HK\$ million)	amount utilized as at 30 June 2024 (HK\$ million)	amount as at 30 June 2024 (HK\$ million)	timetable for full utilization of remaining net proceeds
Investment in our research and development to enlarge our research and development team through recruitment, expand our research and development facilities and conduct testing and validation studies	11%	63.1	19.6	19.6	63.1	0	/
Expansion of manufacturing capacity with respect to our product portfolios and bioactive ingredients	28%	160.6	39.7	39.7	160.5	0	/
Enhancement of our omni-channel sales and distribution network, and implementation of our science- and knowledge-driven marketing activities to enhance our brand recognition	46%	263.9	68.2	68.2	263.9	0	/
Enhancement of our operation and information systems	5%	28.7	23.2	3.0	8.5	20.2	31 December 2027
Working capital and general corporate uses	10%	57.4	22.6	19.5	54.3	3.1	31 December 2027
Total	100%	573.7	173.4	150.0	550.3	23.3	

PROCEEDS FROM THE PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES UNDER THE GENERAL MANDATE

On 16 May 2024 (after trading hours), the Company, Juzi Holding Co., Ltd (the “**Top-up Vendor**”) and Goldman Sachs (Asia) L.L.C. (the “**Placing Agent**”) entered into a placing and subscription agreement (the “**Placing and Subscription Agreement**”), pursuant to which (i) the Top-up Vendor has agreed to sell, and the Placing Agent has agreed, as the Top-up Vendor’s agent, on a best effort basis, to procure the placees, who will be professional, institutional, corporate or other investors, and who and whose ultimate beneficial owners shall be the independent third parties, to purchase 33,220,000 shares held by the Top-up Vendor at a price of HK\$49.40 per share (the “**Vendor Placing**”), and (ii) the Top-up Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, such number of new shares equal to the shares actually placed under the Vendor Placing at a price equal to the placing price (the “**Subscription**”). On 21 May 2024 and 24 May 2024, the Vendor Placing and the Subscription were completed respectively. For details, please refer to the announcements of the Company dated 17 May 2024 and 24 May 2024, respectively.

The net proceeds received by the Company from the Subscription are approximately HK\$1,627 million (after deducting the commissions and estimated expenses), among which, (i) approximately 90%, or HK\$1,464.3 million, will be used for development of core business and the layout of ecosystem, including but not limited to brand promotion, marketing and research and development investment; and (ii) approximately 10%, or HK\$162.7 million, will be used for replenishment of liquidity and general corporate purposes.

During the Reporting Period and up to the date of this results announcement, there is no change to the intended use of the net proceeds from the Vendor Placing and the Subscription disclosed above, and the Company plans to gradually utilize the net proceeds in accordance with such intended use within the next three years based on its actual business situations. Such expected timetable is based on the Company’s best estimation of market conditions and business operation in the future, and is subject to change depending on the development of current and future market conditions as well as actual business needs.

As of 30 June 2024, the net proceeds from the Vendor Placing and the Subscription have not been utilized by the Company.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save for those disclosed in this results announcement, there were no significant event that would have a material impact on the Group’s business operation and financial condition subsequent to the Reporting Period and up to the date of this results announcement.

AUDIT COMMITTEE

The Company’s Audit Committee is comprised of Ms. Wong Sze Wing (chairperson), Mr. Huang Jin and Mr. Shan Wenhua, all of whom are independent non-executive Directors. The Company’s Audit Committee has reviewed the unaudited interim results and interim report of the Company for the six months ended 30 June 2024.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.xajuji.com). The interim report of the Company for the six months ended 30 June 2024 will be published on the aforesaid websites of the Stock Exchange and the Company, and will be dispatched to the shareholders of the Company who have indicated their intention to receive printed copies of the Company's communications.

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

Hong Kong, Monday, 19 August 2024

As of the date of this announcement, the Board comprises Mr. Yan Jianya, Ms. Ye Juan, Ms. Fang Juan, Ms. Zhang Huijuan and Ms. Yan Yubo as executive directors, and Mr. Huang Jin, Mr. Shan Wenhua and Ms. Wong Sze Wing as independent non-executive directors.