2023
ANNUAL REPORT
年度報告

Health and Happiness (H&H) International Holdings Limited
健合(H&H)國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號:1112)




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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Luo Fei *(Chairman)*
Mr. Wang Yidong

Non-executive Directors

Mrs. Laetitia Marie Edmee Jehanne Albertini*
Dr. Zhang Wenhui
Mr. Luo Yun
Mrs. Mingshu Zhao Wiggins

Independent Non-executive Directors

Mr. Tan Wee Seng
Mrs. Lok Lau Yin Ching
Professor Ding Yuan

BOARD COMMITTEE

Audit Committee

Professor Ding Yuan *(Chairman)*
Mr. Tan Wee Seng
Mr. Luo Yun

Nomination Committee

Mr. Luo Fei *(Chairman)*
Mr. Tan Wee Seng
Mrs. Lok Lau Yin Ching

Remuneration Committee

Mr. Tan Wee Seng *(Chairman)*
Mr. Luo Fei
Mrs. Lok Lau Yin Ching

Environmental, Social and Governance Committee

Mrs. Laetitia Albertini *(Chairman)*
Mr. Luo Fei
Mrs. Pascale Laborde *(Chief Growth and Sustainability Officer)*

** commonly known as Laetitia Albertini*

COMPANY SECRETARY

Ms. Yang Wenyun

AUTHORISED REPRESENTATIVES

Mr. Luo Fei
Ms. Yang Wenyun

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE

Suites 4007-09, 40/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4007-09, 40/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

COMPANY'S WEBSITE

www.hh.global

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

CORPORATE **INFORMATION**

AUDITOR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1–1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

FINANCIAL **HIGHLIGHTS**

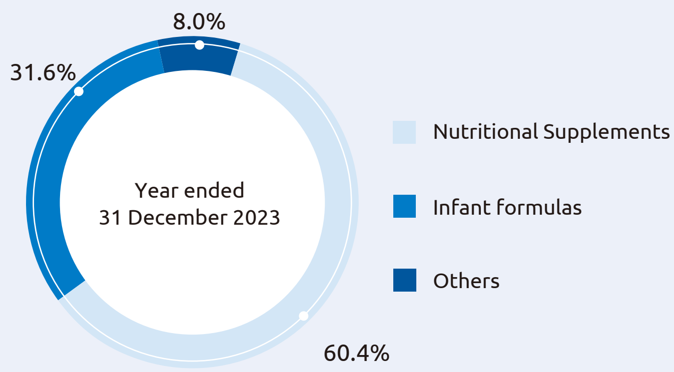
	Year ended 31 December		
	2023	2022	Change
	RMB million	RMB million	
Revenue	**13,926.5**	12,775.9	9.0%
Gross profit	**8,294.3**	7,703.5	7.7%
EBITDA*	**1,984.9**	1,847.9	7.4%
Adjusted EBITDA*	**2,215.5**	1,971.9	12.4%
Adjusted EBITDA margin	**15.9%**	15.4%	0.5pts
Net profit	**581.8**	611.8	-4.9%
Adjusted Net profit**	**778.3**	731.2	6.4%
Adjusted net profit margin	**5.6%**	5.7%	-0.1pts

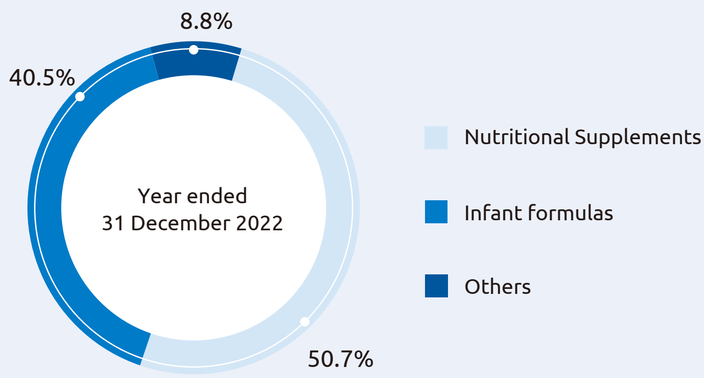
* EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA = EBITDA + Non-cash losses of RMB45.4 million for the year ended 31 December 2023 (2022: losses of RMB18.2 million) + Non-recurring losses of RMB185.2 million for the year ended 31 December 2023 (2022: losses of RMB105.8 million)

** Adjusted net profit = Net profit + EBITDA adjustment items of losses of RMB230.6 million for the year ended 31 December 2023 (2022: losses of RMB124.0 million) – Other non-cash gain of RMB34.1 million for the year ended 31 December 2023 (2022: gain of RMB4.6 million)

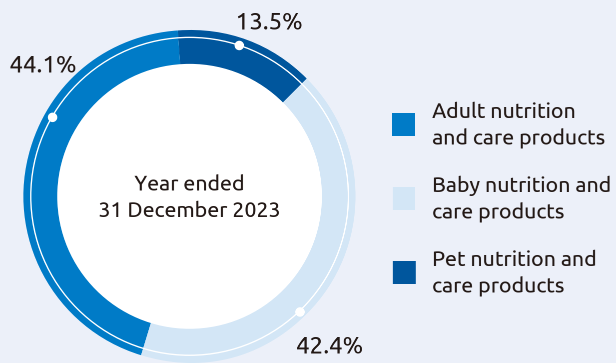
FINANCIAL **HIGHLIGHTS**

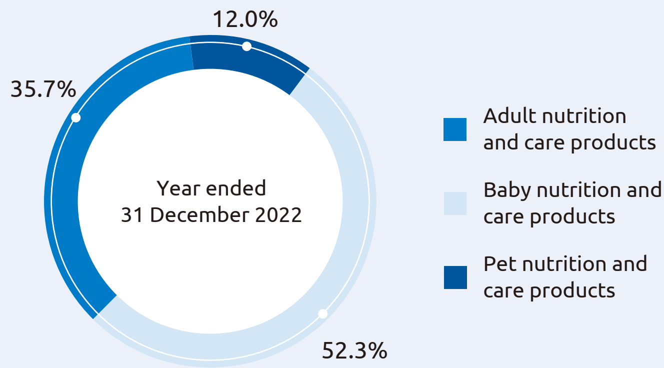
REVENUE BY PRODUCT SEGMENT



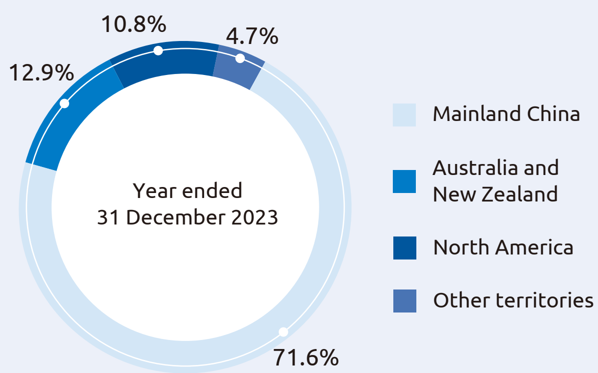


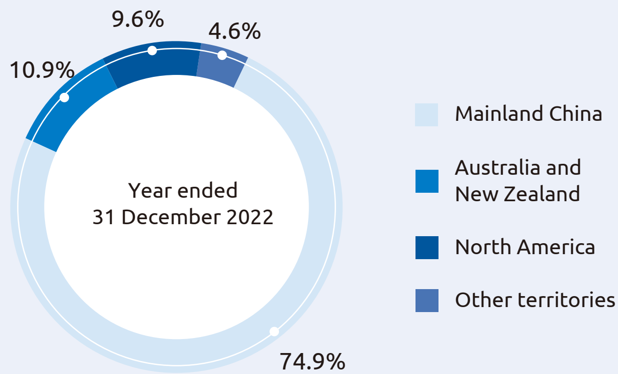
REVENUE BY BUSINESS SEGMENTS





REVENUE BY GEOGRAPHY





CHAIRMAN'S **STATEMENT**

To our shareholders,

On behalf of Health and Happiness (H&H) International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present our annual report for the year ended 31 December 2023.

2023 was a fruitful year, in which we made clear progress in our journey to becoming a global leader in premium family nutrition and wellness with a well-formed offering of superior products and aspirational brands.

We achieved 9.0% and 8.2% top-line growth on reported and like-for-like ("**LFL**")[1] basis, respectively, for the Group and a positive EBITDA margin in each of our three strategic business pillars – Adult Nutrition and Care ("**ANC**"), Baby Nutrition and Care ("**BNC**") and Pet Nutrition and Care ("**PNC**"). Most importantly, we delivered another year of profitable growth for our shareholders, meeting our key strategic objectives set for 2023:

- Driving growth in high-margin nutritional supplements[2] categories;
- Maintaining healthy profitability and market share in super-premium infant milk formulas ("**IMF**") segment;
- Winning in core markets: ANC in mainland China and Australia & New Zealand ("**ANZ**"), PNC in North America;
- Investing in the future by expanding into new markets; and
- Optimising the capital structure.

These achievements underscore our unwavering commitment to driving long-term value for our shareholders, while positioning ourselves for continued success in the dynamic global market landscape. We will continue to follow these strategic focuses in the coming years to deliver profitable growth for our shareholders.

We focused on accelerating growth within fast-growing and high-margin nutritional supplements categories, leveraging market opportunities to enhance profitability. For the full year, revenue attributable to high-margin and fast-growing nutritional supplements across all three of our ANC, BNC and PNC business segments contributed 60.4% of our total revenue.

Additionally, we have stabilised our market share in the super-premium IMF segment in the Chinese market despite all market headwinds, while maintaining healthy profitability across our BNC business as a whole.

Key to our wins in core markets was an overall improvement in product mix. We achieved significant milestones in our core markets, particularly in ANC in mainland China and ANZ, and PNC in North America, where we outperformed expectations and solidified our market presence. Our PNC business maintained strong growth in 2023 with stable margins, despite supply chain challenges and cost inflation.

We are investing in our future by expanding into new markets with our aspirational brands. Revenue contribution from North America reached double-digits for the first time, while Italy, Hong Kong special administrative regions (SAR) and Singapore delivered strong double-digit growth. Simultaneously, our recent expansion into Southeast Asia, India and the Middle East have gained significant momentum, enhancing our global presence. These accomplishments underscore our commitment to consistently implementing our strategies, leading to sustainable growth and profitability.

1 LFL basis is used to indicate sales growth for this financial year compared with the previous financial year, excluding the impact of foreign exchange changes.

2 Nutritional supplements include Swisse vitamin, herbal and mineral supplements ("**VHMS**") products, Biostime probiotic supplements, Biostime paediatric products, and Solid Gold and Zesty Paws pet supplements.

CHAIRMAN'S **STATEMENT**

Finally, we have set ourselves on a steady path for reducing our leverage and improving our balance sheet, while optimising our capital structure to better match the shape of our revenue base and reduce currency risk. Throughout the year, we maintained a healthy liquidity position, while keeping a healthy level of cash conversion across our business. We also remain on track towards deleveraging our balance sheet over the coming years and are well-positioned to cope with greater exchange rate fluctuations and a higher interest rate environment, having earlier predominantly hedged these associated exposures with non-RMB-denominated debt instruments until maturity.

Additionally, our unwavering dedication to global environmental, social and governance initiatives has been integral to our success. In December 2023, we achieved a momentous milestone as five of our entities – mainland China, ANZ, the United States (the "**US**"), the United Kingdom (the "**UK**") and France – officially became B Corp certified. This is the first step in our journey towards securing group-wide B Corp certification by 2025, reflecting our commitment to continuous improvement for the planet, people, and society for our consumers and future generations. This dedication to making a positive impact extends through giving back to local communities through our H&H Foundation, which celebrated its 10th anniversary in 2023, and focuses on our wellness pillars of Nutrition, Movement and Mind.

ADULT NUTRITION AND CARE

Our ANC segment grew by strong double-digits on a LFL basis, led by robust consumer demand for health supplements post COVID across all regions. We outperformed the growth of the overall market, resulting from the strong positioning of our brands in our core markets and successful new product launches in innovative categories, in line with our PPAE (Premium, Proven, Aspirational and Engaging) model.

In 2023, Swisse – our leading ANC brand – solidified its No. 1 position in the mainland China online market[3] and become the No. 1 brand in the Australian[4] market with increased market share growth, having earlier passed the AUD1 billion global sales milestone in the twelve months to 30 June 2023, a three-time sales increase[5] since we acquired the brand in 2015.

In mainland China, Swisse consistently outpaced its competitors in the health and wellness category. By strategically aligning with evolving consumer preferences, especially rising health consciousness post-COVID, Swisse achieved strong double-digit growth and improved profitability. Swisse capitalised fully on increasing consumer segmentation and penetration through its focused mega-brand strategy, expanding the product portfolio of Swisse Plus+, Swisse Me, and Little Swisse to cater to more diverse consumer audiences. This allowed Swisse to establish dominance in new categories, while still contributing significantly to the overall success of the Swisse Core brand. Notably, Swisse Plus+, with its higher profitability, made a double-digit contribution to total ANC revenue in mainland China in 2023. Further, our NAD+ range within the Swisse Plus+ achieved the second position in the NAD+ category capturing significant market share[6] while Swisse Liver Cleanse sustained its leading position in the high-end thistle segment[7] in mainland China e-commerce market.

3 According to research statistics by Early Data, an independent data provider, Swisse ranked No. 1 in the China online VHMS market with a market share of 8.0% for the twelve months ended 31 December 2023 as compared with 7.6% for the twelve months ended 31 December 2022.

4 Based on total market unit sales, according to research statistics by IQVIA, an independent research company, market share data for the past twelve months as of 31 December 2023.

5 Swisse Global, net revenue increase from the twelve months ended 30 June 2015 (before acquisition by H&H) to the twelve months ended 31 December 2022.

6 According to research statistics by Early Data, in NAD+category, in the e-commerce channel, an independent research company, market share data for the past twelve months as of 31 December 2023.

7 According to research statistics by Early Data, an independent research company, the average price of a single bottle is over RMB300, market share data for the past twelve months as of 31 December 2023.

CHAIRMAN'S **STATEMENT**

In ANZ, our second-largest market by revenue, we sustained robust double-digit growth by strategically tapping into the rising demand for health supplements post-COVID. Our focus on the domestic market, characterised by distribution expansions and the successful launch of new products like the popular Swisse gummies range, played a pivotal role in driving this momentum. Furthermore, an incremental contribution from our export business further bolstered our growth in the region.

In other territories, we achieved solid double-digit growth, spearheaded by our expansion markets in Italy, Hong Kong SAR and Singapore. Concurrently, our newer expansion markets in Southeast Asia, India, and the Middle East experienced robust growth momentum. We maintained our high market share rankings, proudly securing our No. 1 market share position in the beauty VHMS, liver health and men's health markets in Singapore[8] and No. 2 market position in beauty VHMS in Italy[9].

BABY NUTRITION AND CARE

Despite strong market headwinds, we confined the decline in BNC sales to 11.7% in 2023, as we continued to invest in high-growth categories beyond IMF where we are experiencing profitable growth and expanding our presence.

The 15.1% decline in our IMF business was mitigated by the positive performance of our paediatric probiotic and nutritional supplements segments. This resilience proved crucial in navigating the systemic challenges affecting the entire IMF industry in mainland China, coupled with increased competitive intensity amid the transition to new 'GB standards'. Additionally, our steadfast efforts resulted in the continuous expansion of market share in the super-premium IMF segment, which rose to 12.4% while the size of the mainland China IMF industry contracted by 22.9%.

As of 31 December 2023, seven of Biostime's IMF series have obtained national certification under mainland China's new GB standards food safety framework. These IMF series make up a super majority of our IMF sales in mainland China and are geared towards the relatively stable and higher-margin premium and super-premium ends of the market, anchoring our future competitiveness and profitable growth potential in a changing sales landscape. The transition and re-launch of each of these GB standards-compliant series has been completed.

Our high-margin paediatric probiotic and nutritional supplements business saw year-on-year growth of 9.1%, driven by increasing demand and the launch of new innovative products, including probiotic gummies, DHA and calcium which support the physical and mental well-being of children. Despite some destocking by customers and lower traffic in the pharmacy channel in the second half of the year, we strengthened Biostime's position as the leading paediatric nutritional supplement brand in mainland China[10].

8 According to research statistics by Nielsen, an independent research company, market share data for the past twelve months as of 31 December 2023.

9 According to research statistics by IMS IQVIA, an independent research company, market share data for the past twelve months as of 31 December 2023.

10 According to research statistics by Kantar Consumer Panel, an independent research company, market share data for the past twelve months as of 31 December 2023.

11 According to research statistics by GERS, an independent research company, market share data for the past twelve months as of 31 December 2023.

We are also strengthening the international presence of our IMF business outside of mainland China, building recognition and trust around innovative and more specialised IMF products. We continued to retain our No. 1 positions in the organic IMF and the goat milk IMF categories in the French pharmacy channel, with market shares of 41.6% and 41.9%, respectively[11].

PET NUTRITION AND CARE

2023 marked a significant milestone for our PNC business. Overall, our PNC sales surged by strong double-digits, with the North America and mainland China markets seeing strong growth of 17.2% and 20.8%, respectively, on an LFL basis. This remarkable growth can be attributed to the expanding pet population and the flourishing premiumisation and humanisation trends within pet nutrition, which are becoming increasingly established in both countries.

In North America, Zesty Paws made significant strides by swiftly expanding its distribution network incorporating prominent retailers such as Walmart, Target, PetSmart, CVS, Tractor Supply and independent pet stores. This expansion has widened our market penetration and allowed us to reach a broader consumer base. Thanks to our refined omni-channel strategies, Zesty Paws witnessed robust growth in offline retail scan sales, securing the No. 4 position in this channel with a market share of 10.0%[12]. Additionally, we maintained our No. 1 position on Amazon and achieved the top spot in the pet supplements category on Walmart less than two years from launch[12]. These achievements underscore the effectiveness of our strategic initiatives in driving brand growth and market leadership in key retail channels.

Meanwhile, Solid Gold returned to growth in North America in 2023, supported by innovative product launches in North America and entering Walmart by leveraging the synergetic advantages of our integrated PNC business. 2023 also marked the first year following the completion of our transition of Solid Gold to a new marketplace model on Amazon which, combined with our product premiumisation efforts, contributed significantly to this brand's revitalised performance in the North American market.

Despite slower industry growth, PNC sales also grew strongly in mainland China, with Solid Gold maintaining its No. 2 position in mainland China's online premium cat dry food category[13] alongside the launch of innovative new products as we widened the brand's reach in the offline and online markets.

12 According to research statistics by NielsenIQ Byzzer, an independent research company, market share data for the 52 weeks period ended 30 December 2023.

13 According to research statistics by SmartPath, an independent research company, market share data for the past twelve months as of 31 December 2023.

OUTLOOK: PROFITABLE GROWTH ACROSS ALL PILLARS AMID MARKET NORMALISATION

In 2024, our commitment to our growth strategies remains unwavering. High-margin nutritional supplements will continue to serve as our primary revenue and growth drivers across our three ANC, BNC and PNC pillars, given our anticipation of sustained positive growth trends within the sector. We remain dedicated to maximising the potential of these key product categories to fuel the sustainable growth of our entire portfolio.

We expect to sustain the healthy growth trajectory of our ANC segment, notwithstanding a normalisation of growth, particularly in the first half of 2024 following the one-off surge in demand we witnessed at the outset of 2023 post-COVID. Mainland China will remain at the forefront of our growth strategy and the main driver of growth. Swisse's mega-brand strategy will continue to capitalise on evolving consumer segmentation trends, ensuring our ongoing success in capturing market demand.

We will also seek to win in our other core market of ANZ, further bolstering our domestic leadership and steadily growing sales in the export channel, while expanding our market share and driving growth across immunity, beauty nutrition and general wellness.

We expect our BNC segment in mainland China to stabilise, with our probiotics and nutritional supplements segment continuing to perform as we further extend our No. 1 market share position in mainland China by growing our infant and kids ranges and expanding our market share in other supplements categories, including DHA, calcium, gummies, as well as functional and innovative probiotics products. We will seek to stabilise revenue levels in our IMF business supported by our competitive range of innovative GB-approved super-premium products and expected stable birth rate in China.

In the PNC segment, we remain committed to investing for future growth. This includes expanding Zesty Paws' leadership through our omni-channel strategy in North America and exploring opportunities for expansion into new markets. In addition, we will further premiumise the Solid Gold brand and our product offerings in the North America and Chinese markets.

Finally, we will take advantage of our high cash-generating business model to further deleverage, improve our balance sheet and optimise our capital structure in 2024 by diversifying sources of funding, lowering the leverage and reducing the cost of debt, while maintaining a healthy liquidity position and a consistent dividend payout.

ACKNOWLEDGEMENTS

We are relatively optimistic about our prospects, given our hard work and the important achievements and milestones reached in 2023.

None of this would have been possible without the strong support from our employees, business partners, creditors and other stakeholders. I thank you all for your support as we continue to help people around the world become happier and healthier.

Luo Fei
Chairman
Hong Kong, 26 March 2024

MANAGEMENT **DISCUSSION AND ANALYSIS**

RESULTS OF OPERATION

Revenue

For the year ended 31 December 2023, the Group's revenue increased by 9.0% on reported basis or 8.2% on a LFL basis to RMB13,926.5 million as compared with 2022, mainly driven by the strong growth of nutritional supplements. Revenue from high-margin and fast-growing nutrition supplements across all of the Group's three strategic business segments achieved year-on-year growth of 28.6% on a LFL basis and contributed to 60.4% of the Group's total revenue for the year ended 31 December 2023.

	Year ended 31 December					
			Reported	LFL	**% to revenue**	
	2023	2022	Change	Change	**2023**	2022
	RMB million	RMB million				
Revenue by product segment						
Nutritional Supplements	**8,415.3**	6,475.6	30.0%	28.6%	**60.4%**	50.7%
– VHMS products	**6,030.7**	4,457.8	35.3%	34.6%	**43.3%**	34.9%
– Paediatric probiotic and nutritional supplements	**1,213.3**	1,111.7	9.1%	9.1%	**8.7%**	8.7%
– Pet supplements	**1,171.3**	906.1	29.3%	23.4%	**8.4%**	7.1%
Infant formulas	**4,397.5**	5,180.0	-15.1%	-15.1%	**31.6%**	40.5%
Others[1]	**1,113.7**	1,120.3	-0.6%	-1.9%	**8.0%**	8.8%
Revenue by business segment						
Adult nutrition and care products	**6,144.9**	4,559.2	34.8%	34.1%	**44.1%**	35.7%
Baby nutrition and care products	**5,907.5**	6,687.2	-11.7%	-11.7%	**42.4%**	52.3%
Pet nutrition and care products	**1,874.1**	1,529.5	22.5%	18.2%	**13.5%**	12.0%
Revenue by geography						
Mainland China	**9,972.7**	9,565.9	4.3%	4.0%	**71.6%**	74.9%
ANZ	**1,794.6**	1,387.3	29.4%	28.7%	**12.9%**	10.9%
North America	**1,498.2**	1,220.8	22.7%	17.2%	**10.8%**	9.6%
Other Territories	**661.0**	601.9	9.8%	9.6%	**4.7%**	4.6%
Total	**13,926.5**	12,775.9	9.0%	8.2%	**100.0%**	100.0%

Mainland China: Robust growth in ANC and healthy growth in PNC segment offsets decline in BNC segment

Revenue from mainland China amounted to RMB9,972.7 million for the year ended 31 December 2023, which increased by 4.0% compared with the previous year on a LFL basis. The increase was mainly attributable to the strong double-digit growth in ANC and PNC segment, which was partially offset by a mid-teen decrease in BNC segment. On reported basis, revenue from mainland China accounted for 71.6% of the Group's total revenue for the year ended 31 December 2023, compared with 74.9% in the previous year.

[1] Others include pet food from Solid Gold, baby food and snacks from Good Goût, baby accessories from Dodie and other skincare products.

RESULTS OF OPERATION (CONTINUED)

Revenue (continued)

Mainland China: Robust growth in ANC and healthy growth in PNC segment offsets decline in BNC segment (continued)

On a LFL basis, revenue of ANC segment in mainland China maintained the strong growth momentum with a year-on-year growth of 37.4%, and accounted for 66.0% of the Group's total ANC revenue for the year ended 31 December 2023. The growth was mainly led by the robust consumer demand for health supplements post COVID, the Group's efforts to launch innovative categories such as Swisse Plus+ range and introduction of more blue hat SKUs compliant for normal trade. For the year ended 31 December 2023, normal trade sales continued to deliver robust year-on-year growth of 62.4% on a LFL basis, accounting for 23.8% of total mainland China ANC revenue, as we sported a more complete normal trade product portfolio, further supported by product launches in innovative categories and effective brand marketing. As of 31 December 2023, 21 blue hats (as of 31 December 2022: 17 blue hats) out of 55 Swisse SKUs in the normal trade channel were available at 62,393 normal retail touchpoints in mainland China. According to research statistics by Earlydata, an independent data provider, Swisse continued to maintain its No.1 position across major e-commerce platforms in mainland China with a market share of 8.0% for the twelve months ended 31 December 2023, improving from 7.5% for the twelve months ended 31 December 2022. In the normal trade channel in mainland China, Swisse achieved No.3 ranking with 2.6% market share for the twelve months ended 31 December 2023.

Revenue of BNC segment decreased by 12.4% to RMB5,510.7 million for the year ended 31 December 2023 as compared with the previous year. For the year ended 31 December 2023, the revenue from IMF in mainland China recorded a year-on-year decline of 15.5% to RMB4,244.2 million as compared with last year. The decrease was mainly resulted from the systemic challenges affecting the entire IMF industry in mainland China, coupled with the increased competitive intensity including destocking of old GB products amid the transition to new 'GB standards'. Despite the strong market headwinds, the Group continued its channel expansion strategy, branding initiatives and focused investments in consumer education, particularly in its super-premium IMF segment. According to Nielsen, an independent research data provider, the Group's super-premium IMF segment achieved a market share of 12.4% for the twelve months ended 31 December 2023, outperforming the overall market growth rate.

For the year ended 31 December 2023, the Group recorded revenue from paediatric probiotic and nutritional supplements in mainland China of RMB1,200.6 million, increasing by 8.8% compared with the year ended 31 December 2022, driven by the higher consumer demand for paediatric nutritional supplements and launch of new innovative products including probiotic gummies, DHA and calcium which support the physical and mental wellbeing of children. According to Kantar, Biostime is the No. 1 paediatric nutritional supplement brand in mainland China[2]. Sales of paediatric probiotic and nutritional supplements in mainland China during Q3 2023 recorded a double-digit decline due to customers' need for destocking and lower traffic in the pharmacy channel for immunity-related products post peak time of COVID, while the sales performance was stabilised in Q4 2023.

Revenue from other paediatric products segment in mainland China, mainly sales of Dodie branded diaper, decreased by 60.5% to RMB65.9 million for the year ended 31 December 2023 compared with last year. The decrease was mainly due to (i) the declined sales of overall mainland China market resulted from the declining birth rates and (ii) the Group's channel optimisation strategy of moving away from online to offline to drive continued profitability improvement. Following the Group's strategic choice to focus on high-margin and fast-growing nutritional supplements, the Group decided to exit Dodie branded diaper business in mainland China since 2024. The Group does not expect any material adverse impact from the discontinuance of Dodie diaper business.

2 According to research statistics by Kantar Consumer Panel, an independent research company, market share data for the period from 31 December 2022 to 29 December 2023.

RESULTS OF OPERATION (CONTINUED)

Revenue (continued)

Mainland China: Robust growth in ANC and healthy growth in PNC segment offsets decline in BNC segment (continued)

Despite slower industry growth, revenue from PNC segment in mainland China recorded a strong growth of 20.8% on a LFL basis in the year ended 31 December 2023 as compared with last year. Leveraging strong branding expertise online, Solid Gold maintained its No. 2 position in mainland China's online premium cat dry food category[3] alongside the launch of innovative new products and as the Group widened the brand's reach in the offline and online markets. By end of 2023, Solid Gold had entered approximately 9,200 pet stores and pet hospitals in the offline mainland China market.

ANZ: Achieving double-digit growth year-on-year with increasing market share in the domestic market

On a LFL basis, revenue from ANZ market segment increased by 28.7% to AUD382.5 million for the year ended 31 December 2023, contributing 12.9% of the Group's total revenue. This strong growth was driven by (i) leveraging growing demand for immune, beauty nutrition and general wellness-supporting products while continuing to strategically focus on the domestic market and new product launches; (ii) increasing contribution from innovative products, including gummies range which achieved a No. 2 market position[4]. Swisse regained its No. 1 position in the overall Australian VHMS market[5] and retained its No. 1 position in major subcategories including Multivitamins, Beauty from Within, Digestive & Liver health and Muscle health[6].

North America: Continued strong growth along with expanded business both online and offline

For the year ended 31 December 2023, revenue generated by North America achieved strong growth of 17.2% year-on-year on a LFL basis, and accounted for 10.8% of the Group's total revenue. The strong growth was mainly driven by the increasing pet adoption rate, alongside the pet nutrition premiumisation and pet humanising trends that are becoming well established in North America market.

Revenue of Zesty Paws achieved year-on-year growth of 21.7% for the year ended 31 December 2023. Zesty Paws rapidly expanded its distribution network incorporating prominent retailers such as Walmart, Target, PetSmart, CVS, Tractor Supply and independent pet stores broadening its market penetration and reaching a broader consumer base. Thanks to the effectiveness of the Group's strategic initiatives in driving brand growth and market leadership in key retail channels, Zesty Paws maintained its No. 1 position on Amazon and achieved the top spot in the pet supplements category of Walmart stores less than two years from launch[7].

Revenue of Solid Gold returned to a year-on-year growth of 3.8% in 2023, supported by innovative product launches in North America and entering Walmart by leveraging the synergetic advantages of the Group's integrated PNC business. As of the end of 2023, Zesty Paws and Solid Gold were present in more than 17,000 stores and 4,500 stores respectively across the US.

3 According to research statistics by SmartPath, an independent research company, market share data for the past twelve months ended 31 December 2023.
4 According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 31 December 2023.
5 According to research statistics by IQVIA, an independent research company, market share data based on unit sales for the past twelve months ended 31 December 2023.
6 According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 31 December 2023.
7 According to research statistics by Stackline and NielsenIQ Byzzer, independent research companies, market share data for the 52 weeks ended 30 December 2023.

RESULTS OF OPERATION (CONTINUED)

Revenue (continued)

Other territories: Strong growth momentum continued in Asian expansion markets

Revenue generated by other territories increased by 9.6% on a LFL basis in the year ended 31 December 2023 as compared with last year. The increase was mainly attributed to the robust growth in Italy and Asian expansion markets including Hong Kong SAR, Singapore, Southeast Asia, India and the Middle East. The Group maintained its high market share rankings in several of these markets, including No. 1 market share position in the beauty VHMS, liver health and men's health markets in Singapore[8] and No. 2 market share position in beauty VHMS in Italy[9].

Gross profit and gross profit margin

In the year ended 31 December 2023, the Group recorded gross profit of RMB8,294.3 million, representing an increase of 7.7% as compared with last year. The Group's gross profit margin decreased slightly from 60.3% in the year ended 31 December 2022 to 59.6% in the year ended 31 December 2023, mainly due to the decrease in the BNC segment, which was partially offset by the gross profit margin improvement in the ANC and PNC segments. Excluding the one-off stock write-off and provision of RMB178.6 million for the imported goat milk IMF series products, the normalized gross profit margin of the Group was 60.8% in 2023.

The gross profit margin of the ANC segment increased from 62.6% in 2022 to 65.6% in 2023, mainly resulting from (i) the favorable product mix towards higher revenue contribution from high-margin products such as Swisse Plus+ range; and (ii) the decreased stock write-off and provision owing to continued improvement in inventory management and demand planning.

The gross profit margin of the BNC segment decreased from 62.4% in 2022 to 56.8% in 2023. The decrease was mainly due to (i) the one-off stock write-off and provision of RMB178.6 million for the imported goat milk IMF series products which were still pending for new GB approval, while the other seven IMF series have already obtained new GB approval; and (ii) the increasing sourcing cost and the depreciation of RMB against EUR. The above decrease was partially offset by the favorable product mix impact towards higher revenue proportion from the higher-margin probiotic supplements. Excluding the one-off stock write-off and provision of RMB178.6 million, the normalized gross profit margin of the BNC segment was 59.8% in 2023.

The gross profit margin of PNC segment increased from 44.4% in 2022 to 48.6% in 2023. Excluding the impact on cost of goods sold ("**COGS**") of RMB24.3 million in 2022 in relation to the one-time mark-to-market increase for the value of inventory in the acquisition of Zesty Paws, the gross profit margin of PNC segment increased from 45.9% in 2022 to 48.6% in 2023. The increased gross profit margin of PNC segment was mainly due to the continuous efforts on supply chain optimisation and product mix improvement towards higher revenue contribution from high-margin nutritional supplement products.

Other income and gains

Other income and gains amounted to RMB214.6 million for the year ended 31 December 2023. Other income and gains primarily consisted of gain on sales of raw materials of RMB65.0 million, net fair value gain on the financial instruments of RMB53.1 million, interest income from bank deposits, loans and bonds receivables of RMB24.4 million, gain from the partial repurchase of senior notes of RMB20.8 million, government subsidies of RMB19.1 million and others.

The non-cash fair value gain on financial instruments of RMB53.1 million was mainly caused by the fair value gain on the cross currency swap and cross currency interest rate swap agreements for the Group's long term debt, and the existing equity investments held by NewH[2] and Biostime Pharma.

8 According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 December 2023.

9 According to research statistics by IMS IQVIA, an independent research company, market share data for the past twelve months ended 31 December 2023.

RESULTS OF OPERATION (CONTINUED)

Selling and distribution costs

Excluding depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets ("**D&A**"), selling and distribution costs increased by 7.6% to RMB5,405.2 million in the year ended 31 December 2023, as compared with 2022. Selling and distribution costs excluding D&A as a percentage of the Group's revenue decreased from 39.3% in 2022 to 38.8% in 2023 mainly thanks to the continuous efforts to drive spending efficiency in channel.

ANC

Selling and distribution costs of ANC business amounted to RMB2,338.4 million in the year ended 31 December 2023, which represented an increase of 23.2% as compared with last year. Selling and distribution costs of ANC business as a percentage of the Group's revenue from ANC business decreased from 41.6% in 2022 to 38.0% in 2023, mainly driven by the continuous efforts to improve the spending efficiency.

Advertising and marketing expense of ANC business as a percentage to the Group's ANC revenue decreased from 32.0% in 2022 to 30.2% in 2023. The selling and distribution costs other than advertising and marketing expense of ANC business as a percentage to its revenue decreased from 9.6% in 2022 to 7.8% in 2023 resulting from the continuing measures taken in all markets especially in mainland China and ANZ to improve the spending efficiency.

BNC

Selling and distribution costs of BNC business amounted to RMB2,284.5 million in the year ended 31 December 2023, which represented a decrease of 10.9% as compared with last year. Selling and distribution costs of BNC business as a percentage of the Group's revenue from BNC business increased slightly from 38.3% in 2022 to 38.7% in 2023.

Advertising and marketing expense of BNC business decreased by 9.7% to RMB740.3 million in the year ended 31 December 2023, as compared with last year. Advertising and marketing expense as a percentage of BNC revenue increased slightly from 12.3% in 2022 to 12.5% in 2023. The selling and distribution costs other than advertising and marketing expense of BNC business as a percentage of revenue increased slightly from 26.0% in 2022 to 26.2% in 2023.

PNC

Selling and distribution costs of PNC business increased by 38.9% to RMB782.3 million for the year ended 31 December 2023, as compared with last year. Selling and distribution costs of PNC business as a percentage of its revenue increased from 36.8% for the year ended 31 December 2022 to 41.8% for the same period of 2023, mainly due to the increased investment in channel expansion.

Advertising and marketing expense of PNC business as percentages of its revenue increased from 11.0% in 2022 to 15.2% in 2023. The selling and distribution costs other than advertising and marketing expense of PNC business as a percentage to its revenue increased from 25.8% in 2022 to 26.6% in 2023. The increase was mainly due to the investment to support channel expansion in both mainland China and North America markets.

Administrative expenses

Administrative expenses increased by 16.6% from RMB727.7 million in the year ended 31 December 2022 to RMB848.5 million for the year ended 31 December 2023. Administrative expenses as a percentage of the Group's revenue increased from 5.7% in the year ended 31 December 2022 to 6.1% in the year ended 31 December 2023 mainly resulted from the increased employee incentives and increased travelling expenses post travel restriction during COVID pandemic. Excluding the one-time restructuring costs of RMB13.7 million in certain markets including Europe and North America, the normalized administrative expenses increased by 14.7% to RMB834.8 million in 2023, with the administrative expenses as a percentage of the Group's revenue at 6.0%.

RESULTS OF OPERATION (CONTINUED)

Other expenses

Other expenses for the year ended 31 December 2023 amounted to RMB336.4 million. Other expenses mainly included research and development ("**R&D**") expenditure of RMB206.1 million, non-cash impairment of goodwill and the intangible assets in relation to the previous acquisitions of Aurelia and Good Goût in Europe of RMB97.3 million, and net foreign exchange loss of RMB4.8 million.

During the year under review, R&D expenditure increased by 30.3% as compared with the previous year, which was mainly attributable to the Group's determination for continued investment in product innovation. R&D expenditure as a percentage of the Group's revenue increased from 1.2% in 2022 to 1.5% in 2023.

EBITDA and EBITDA margin

Adjusted EBITDA achieved an increase of 12.4% from RMB1,971.9 million in the year ended 31 December 2022 to RMB2,215.5 million in the year ended 31 December 2023. Adjusted EBITDA margin increased from 15.4% in the year ended 31 December 2022 to 15.9% in the year ended 31 December 2023. The increase in Adjusted EBITDA margin was mainly driven by the favorable product mix towards higher revenue contribution from high-margin nutritional supplements and the continuous efforts to drive spending efficiency.

EBITDA for the year ended 31 December 2023 increased by 7.4% to RMB1,984.9 million, compared with RMB1,847.9 million in the year ended 31 December 2022.

The adjusted EBITDA was arrived at by reconciling the non-recurring or non-cash items from EBITDA as set out below:

	Year ended 31 December	
	2023	2022
	RMB million	RMB million
EBITDA	**1,984.9**	1,847.9
Reconciled by:		
Non-cash items*:		
(1) Net foreign exchange losses/(gains)	**4.8**	(76.7)
(2) Net fair value gains on financial instruments	**(53.1)**	(36.0)
(3) Gain from the partial repurchase of senior notes	**(20.8)**	(25.2)
(4) Impairment of goodwill and intangible assets in relation to the previous acquisition of Aurelia and Good Goût in Europe	**97.3**	134.5
(5) Share of losses of associates	**17.2**	21.6
Non-recurring items*:		
(6) One-off stock write-off and provision for the imported goat milk IMF series products which were still pending for new GB approval	**178.6**	–
(7) One-time restructuring costs in certain markets including EU and North America	**13.7**	29.4
(8) (Partial recovery)/impairment of loan due from the Group's previous supplier of baby cereals for mainland China	**(7.1)**	52.1
(9) Impact on COGS in relation to the one-time mark-to-market increase for the value of inventory in the acquisition of Zesty Paws	**–**	24.3
Adjusted EBITDA	**2,215.5**	1,971.9

* Either non-recurring or non-cash items is to be adjusted only if the amount is equal to or greater than RMB10 million.

RESULTS OF OPERATION (CONTINUED)

Finance costs

During the year ended 31 December 2023, the Group incurred finance costs of RMB773.5 million, representing an increase of 47.1% compared with the previous year. The finance costs for the year ended 31 December 2023 included interests for the term loan and senior notes of RMB801.3 million. As the Group has entered into certain cross currency swaps and cross currency interest rate swaps to hedge its interest rate risk and foreign currency risk, respectively, the normalized interests for the interest-bearing bank loans and senior notes was RMB625.3 million for the year ended 31 December 2023. The implied annual interest expense margin[10] (including the benefit of the above-mentioned hedges) was 7.0% for the year ended 31 December 2023.

The interests for the interest-bearing bank loans and senior notes for the year ended 31 December 2023 increased by 52.9% compared with last year mainly due to the increased base rate following the US Federal Reserve's rate hike and the depreciation of RMB against USD. The finance costs for the year ended 31 December 2023 also included the one-off transaction costs net of gain on exchange of senior notes of RMB28.8 million, which was offset by the non-recurring amortized gain of RMB62.9 million in relation to the interest rate swap for previous term loan.

Income tax expense

Income tax expense decreased from RMB419.1 million in the year ended 31 December 2022 to RMB351.8 million in the year ended 31 December 2023. Thanks to the Group's continuing effort on optimisation and efficiency improvement, the effective tax rate decreased from 40.7% in 2022 to 37.7% in 2023.

Net profit and adjusted net profit

The adjusted net profit was arrived at by reconciling the non-recurring or non-cash items from net profit as set out below:

	Year ended 31 December	
	2023	2022
	RMB million	RMB million
Net profit	**581.8**	611.8
Reconciled by:		
EBITDA adjusted items as listed above	**230.6**	124.0
Non-cash items*:		
One-off write-off of unamortised transaction costs and losses on modification upon refinancing for the loan facilities	**28.8**	31.9
One-off amortized (gain) of interest rate swap for previous term loan	**(62.9)**	(36.5)
Adjusted net profit	**778.3**	731.2

* Either non-recurring or non-cash items is to be adjusted only if the amount is equal to or greater than RMB10 million.

[10] The implied annual interest expense margin is calculated by dividing the normalised interest expense including the benefit of hedge arrangements for the year ended 31 December 2023 by the outstanding principal as of 31 December 2023 being converted to RMB with a consensus FX rates as the debts' drawdown dates.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the year ended 31 December 2023, the Group recorded net cash flows generated from operating activities of RMB1,096.9 million, resulting from pre-tax cash flows from operations of RMB1,653.0 million, minus income tax paid of RMB556.2 million. Pre-tax cash flows mainly benefited from the healthy Adjusted EBITDA which was partially offset by a negative impact from change in working capital. The trade and bills receivables, net of impairment of trade receivables, increased RMB267.6 million mainly due to the higher revenue contribution from credit sales in oversea markets outside mainland China. The trade payables decreased RMB299.8 million mainly due to the different cut-off days. The above negative impact was partially offset by the decrease in inventories of RMB241.0 million, net of write-down of inventories to net realisable value.

Investing activities

For the year ended 31 December 2023, net cash flows used in investing activities amounted to RMB52.1 million, primarily resulted from purchases of property, plant and equipment and intangible assets of RMB91.0 million, partially offsetting by interest received of RMB23.9 million.

Financing activities

For the year ended 31 December 2023, net cash flows used in financing activities amounted to RMB1,994.6 million, primarily related to the repayment of interest-bearing bank loans of RMB1,092.6 million, the interest paid for interest-bearing bank loans and senior notes of RMB750.0 million, the partial purchase of senior notes of RMB599.6 million, the dividend paid of RMB474.5 million, the transaction costs in relation to the exchange and issuance of the senior notes of RMB97.6 million, and payment of lease liabilities of RMB36.3 million. The above cash outflows were partially offset by the proceed from new bank loans of RMB610.0 million, the net proceeds from issuance of senior notes of RMB408.0 million, and the proceeds from certain cross currency swaps of RMB38.2 million.

Cash and bank balances

As of 31 December 2023, cash and cash equivalents on a pro forma basis amounted to RMB1,962.1 million, adding back the loan repayment of USD84.4 million of a 3-year term loan in December 2023 according to the amortization schedule. On a reported basis, cash and cash equivalents as stated in the consolidated statement of financial position was RMB1,364.3 million. As of the date of this report, the Group has not yet drawn down the revolving facility of USD75.0 million which was available to the Group under an existing facilities agreement. Moreover, the Group's improved working capital also help to support its sufficient liquidity.

Interest-bearing bank loans and senior notes

As of 31 December 2023, the Group's outstanding interest-bearing bank loans amounted to RMB7,454.9 million, after the repayment of USD140.6 million of a 3-year term loan in 2023 according to the amortisation schedule, including current portion of RMB4,289.9 million. The total carrying amount of the senior notes was RMB1,660.6 million, including current portion of RMB432.2 million.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Interest-bearing bank loans and senior notes (continued)

Gearing ratio increased slightly from 45.6% as of 31 December 2022 to 45.7% as of 31 December 2023, calculated by dividing the sum of the carrying amount of senior notes and interest-bearing bank loans by total assets. As of 31 December 2023, the net leverage ratio decreased to 3.42 from 3.58 of the previous year, calculated as the following table:

	For/as of the year ended 31 December	
	2023	2022
	RMB million	RMB million
Gross debt[11]	**8,933.7**	9,363.4
Less: Cash and cash equivalents	**1,364.3**	2,303.7
Net debt	**7,569.4**	7,059.8
Divided by: Adjusted EBITDA	**2,215.5**	1,971.9
Net leverage ratio	**3.42x**	3.58x

Working capital

Advance payment is normally required for the sale in mainland China, except for limited circumstances. The Group usually allows credit sales in overseas markets outside mainland China, with average credit terms ranging from 30 to 90 days from the end of month. The Group's suppliers generally grant a credit period of between 30 and 90 days.

The Group seeks to maintain strict controls over outstanding receivables and creditors to minimize credit risk. The average turnover days for trade and bills receivables increased from 21 days for the year ended 31 December 2022 to 24 days for the year ended 31 December 2023, mainly due to the higher revenue contribution from credit sales in oversea markets outside mainland China. The average turnover days of trade payables decreased from 79 days for the year ended 31 December 2022 to 76 days for the year ended 31 December 2023, mainly due to the different cut-off days.

The inventory turnover days decreased from 166 days for the year ended 31 December 2022 to 159 days for the year ended 31 December 2023. The inventory turnover days of ANC products increased slightly from 145 days for the year ended 31 December 2022 to 146 days for the year ended 31 December 2023. The inventory turnover days of BNC products decreased from 178 days for the year ended 31 December 2022 to 155 days for the year ended 31 December 2023, following the new GB product launches since the end of the year. The inventory turnover days of PNC products increased from 173 days for the year ended 31 December 2022 to 194 days for the year ended 31 December 2023, mainly due to the higher safety stock of dry cat food built to ensure business continuity after the supply of pet food to mainland China market shifted from Canada to the US since 2022.

[11] The gross debt as of 31 December 2023 and 2022 are calculated with the outstanding principal of debt instruments being converted to RMB with a consensus FX rates as the debt drawdown date.

SIGNIFICANT BUSINESS DEVELOPMENT AFTER THE END OF THE REPORTING PERIOD

(1) Regarding the liquidity position of the Group, the Group has secured multiple sources of liquidity from 1 January 2024 to 26 March 2024. The Company had successfully issued RMB500,000,000 7.5% guaranteed bonds on 20 March 2024. Besides, the Group has been granted credit lines in an aggregate amount of RMB1,440 million approved for RMB loan facilities, as part of our ongoing efforts to optimise the capital structure. Definitive legally binding agreement in respect of the credit lines may or may not enter into as of the date of this report. The credit lines may or may not materialize in full or at all.

(2) The executive committee of the Company (the "**Executive Committee**") has been dissolved with effect from 26 March 2024. After having regard to the functions of the Executive Committee, which were to manage the business and affairs of the Company on a day-to-day basis, the Board considered that the management responsibilities of the Executive Committee can be adequately fulfilled by the Board and the office of the chief executive officer of the Company (the "**CEO Office**"), comprising a rotating CEO and, as standing members, the Group's chief financial and operating officer, the Group's chief people officer and the chairman of the Board. The rotating CEO will report to the chairman of the Board. Please refer to the announcement of the Company dated 19 November 2023 for further information on the CEO Office.

Upon dissolution of the Executive Committee, its functions and duties have been taken over by the CEO Office, which do not cover matters reserved for the Board's approval, including, among others, declaration of dividends, issuance of securities, transactions contemplated under Chapter 14 and Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and disclosure of inside information.

DIVIDEND

After taking full consideration of the Group's financial position, net cash flow and capital expenditures, the Board is pleased to recommend the payment of a final dividend of HKD0.18 per ordinary share for the year ended 31 December 2023. Taking into account of the interim dividend of HKD0.44 per ordinary share in respect of the six months ended 30 June 2023 paid in October 2023, the annual dividend will amount to HKD0.62 per ordinary share, representing approximately 46% of the Group's Adjusted net profit for the year ended 31 December 2023.

Subject to approval at the forthcoming annual general meeting on Friday, 10 May 2024 (the "**2024 AGM**"), the said final dividend will be payable on or about Wednesday, 10 July 2024 to shareholders whose names appear on the register of members of the Company on Tuesday, 21 May 2024.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Luo Fei (羅飛), aged 60, is the chairman and an executive Director of the Company. Mr. Luo was formerly the Chief Executive Officer of the Company until 18 March 2019. Mr. Luo was appointed as an executive Director on 30 April 2010 and chairman of the Company's Nomination Committee. Mr. Luo is also a director of a variety of subsidiaries of the Company. The major subsidiaries are Health and Happiness (H&H) China Limited* (健合(中國)有限公司, "**Health and Happiness China**", formerly known as BiosTime, Inc. (Guangzhou)*（廣州市合生元生物製品有限公司）, "**Biostime Guangzhou**")), Biostime (Guangzhou) Health Products Limited* (合生元(廣州)健康產品有限公司, "**Biostime Health**"), Health and Happiness (H&H) Hong Kong Limited ("**Health and Happiness Hong Kong**", formerly known as Biostime Hong Kong Limited), Swisse Wellness Group Pty Ltd ("**Swisse**"), Health and Happiness France Holding ("**Health and Happiness France**"), Health and Happiness (H&H) Italy S.R.L ("**Health and Happiness Italy**"), Solid Gold Pet, LLC ("**Solid Gold**") and Zesty Paws LLC ("**Zesty Paws**"). Mr. Luo is also a director of the Company's substantial shareholder Biostime Pharmaceuticals (China) Limited ("**Biostime Pharmaceuticals**") with disclosable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**"). For further details, please refer to page 71 of this Annual Report. Mr. Luo leads the Board and supervises the Group's strategy, risk management and corporate governance. Mr. Luo has over 20 years of experience in the biotechnology industry. From June 1989 to October 1990, Mr. Luo was employed by Kanghai Enterprise Development Company of Guangzhou Economic and Technological Development Zone* (廣州經濟技術開發區康海企業發展公司) as an assistant engineer. In February 1993, Mr. Luo established Guangzhou Baixing Bioengineering Co., Ltd.* (廣州百星生物工程有限公司) and acted as its legal representative and general manager. In December 1994, Mr. Luo established Guangzhou Biohope Co., Ltd.* (廣州市百好博有限公司, "**Guangzhou Biohope**"), a company engaged in the import and distribution of raw materials for personal care products and household cleaning products, and acted as Guangzhou Biohope's legal representative from December 1994 to June 2010, and has been a director of Guangzhou Biohope since December 1994. In August 1999, Mr. Luo established BiosTime, Inc. (Guangzhou) and had served as its general manager until 18 March 2019. Mr. Luo is the chairman of the management committee of the Biostime China Foundation for Mothers and Children. Mr. Luo received a bachelor's degree in microbiological engineering in July 1985 and a master's degree in industrial fermentation in June 1988 from South China University of Technology* (華南理工大學), formerly known as South China Institute of Technology* (華南工學院). Mr. Luo has also completed the China Europe International Business School* (中歐國際工商學院) EMBA program and was awarded a master's degree in business administration in September 2008.

Mr. Wang Yidong (王亦東), aged 50, is an executive Director of the Company. Mr. Wang was appointed as an executive Director on 26 March 2018. He joined the Group in May 2016. Mr. Wang is the Chief Financial and Operation Officer of the Group and the member of the CEO office of the Group. He is in charge of the overall financial management, investor relationship, supply chain, sourcing and IT activities of the Group. He is also a director of a variety of subsidiaries of the Company. The major subsidiaries are Health and Happiness China, Biostime Health, Health and Happiness Hong Kong, Swisse, Solid Gold and Zesty Paws. Mr. Wang has over 20 years of experience in financial management, accounting, and corporate finance. Prior to joining the Group, Mr. Wang was the Corporate Vice President and Asia Pacific Chief Financial Officer of Henkel AG & Co. KGaA, a German consumer goods giant ("**Henkel**"), responsible for Henkel's financial management, business and operation controlling as well as M&A-related tasks in 14 countries of Asia Pacific. Before that, he worked at Henkel's headquarters in Germany as Global Director of Business Development and M&A for Adhesive business unit, and also worked as Henkel's Greater China Chief Financial Officer and Asia Pacific Treasurer in preceding years. Mr. Wang had also taken various management and banking roles with LG.Philips, JPMorganand China's Ministry of Commerce* (中國商務部) in Hong Kong, New York and Beijing. Mr. Wang holds a Master of Business Administration degree from New York University Stern School of Business and a Bachelor of Arts degree from China Foreign Affairs University* (中國外交學院). He completed Global Strategy Management Program at Harvard Business School. He is a member of the American Institute of Certified Public Accountants (the "**AICPA**") and a fellow member of the Association of Chartered Certified Accountants (the "**ACCA**"). He is also a member of ACCA China Expert Forum.

* *for identification purposes only*

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

Non-executive Directors

Mrs. Laetitia Albertini (安玉婷), aged 44, is a non-executive Director of the Company. She was re-designated to a non-executive Director on 1 January 2023, previously she was an executive Director of the Company from 26 March 2018 to 31 December 2022. Mrs. Albertini was formerly the Chief Executive Officer of the Company from 19 March 2019 to 31 December 2022. She joined the Group in July 2010. She was the General Manager of the Group strategy and international business department of the Group. From June 2018 to March 2019, Mrs. Laetitia Albertini also assumed the role of Managing Director of Swisse China. She was also a director of a variety of subsidiaries of the Company. The major subsidiaries are Health and Happiness China, Biostime Health, Health and Happiness Hong Kong, Swisse, Health and Happiness France, Health and Happiness Italy, Solid Gold and Zesty Paws. From December 2003 to August 2010, she worked for the French Trade Commission in South China and was mainly responsible for providing lobbying and support to French companies partnering, exporting and investing in China, especially in the field of consumer goods and health sectors. Prior to that, she also interned with the United States Senate in Washington D.C. from January to June 2001, the Banque Populaire Group in Paris from July to September 2001 and the LVMH Group in Paris from September 2002 to March 2003. In July 2003, she obtained a master's degree in business administration and corporate strategy from Institute of Political Studies in Paris.

Dr. Zhang Wenhui (張文會), aged 59, is a non-executive Director of the Company. Dr. Zhang was re-designated to a non-executive Director on 25 June 2012. Dr. Zhang was previously an executive Director of the Company from 12 May 2010 to 24 June 2012. Dr. Zhang is also a director of the Company's substantial shareholder Biostime Pharmaceuticals with disclosable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 71 of this Annual Report. Dr. Zhang has over 20 years of experience in the biotechnology industry, through teaching in universities and working for several biotechnology companies. Dr. Zhang was a lecturer of bioengineering at South China University of Technology* (華南理工大學) from August 1994 to August 1996. From December 2000 to August 2003, Dr. Zhang was employed as an assistant research professor in the Department of Chemical Engineering at the University of Nebraska-Lincoln in the United States. After that, Dr. Zhang was employed as a scientist in the process development department of Xoma (US) LLC in the United States from September 2003 to September 2005. Dr. Zhang joined the Group in October 2005 as the chief technology officer of Health and Happiness China and became a general manager of the technology center of Biostime Health in December 2010, where he was primarily responsible for the research and development, product quality control and technology support, and held this position until 24 June 2012. Dr. Zhang was also the chief technology officer and head of the Quality Assurance Department of the Company until 24 June 2012 and a director of the Company's subsidiaries Health and Happiness China, Biostime Health and Dodie Baby Products Inc. (Guangzhou)* (廣州杜迪嬰幼兒護理用品有限公司, "**Dodie Guangzhou**", formerly known as BMcare Baby Products Inc. (Guangzhou)* (廣州葆艾嬰幼兒護理用品有限公司)) until 2 September 2012. Dr. Zhang received a bachelor's degree in biochemical engineering from East China University of Science and Technology* (華東理工大學), formerly known as East China College of Chemical Engineering* (華東化工學院), in July 1985, and a master's degree in industry fermentation and a doctorate in fermentation engineering from South China University of Technology* (華南理工大學) in July 1988 and September 1994, respectively. In September 1997, Dr. Zhang completed an international post graduate university course in microbiology at Osaka University. Dr. Zhang conducted research as a post-doctoral scientist in the department of food science and technology in the University of Nebraska-Lincoln in the United States from October 1997 to November 2000. He also received a master's degree in Business Administration from University of Chicago in March 2017.

* *for identification purposes only*

DIRECTORS (CONTINUED)

Non-executive Directors (continued)

Mr. Luo Yun (羅雲), aged 63, is a non-executive Director of the Company. Mr. Luo was appointed as a non-executive Director on 12 May 2010. Mr. Luo is also a director of the Company's substantial shareholder Biostime Pharmaceuticals with disclosable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 71 of this Annual Report. From 1980 to 1993, Mr. Luo was employed by Haikou Qiongshan Medical Co., Ltd.* (海口瓊山醫藥公司). Mr. Luo was employed as a sales manager for Guangzhou Biohope from December 1994 to August 1999. From August 1999 to September 2009, Mr. Luo held various positions in Health and Happiness China including the sales director and the director in charge of the Mama100 membership center. From September 2009 to December 2011, Mr. Luo was the general manager and director of a company formerly known as Biostime Health and Nutrition (Guangzhou) Limited* (廣州合生元營養保健品有限公司, now known as Leseil Health and Nutrition (Guangzhou) Limited* (廣州樂賽營養保健品有限公司)), where he was responsible for the overall strategies and business development. Since August 2016, Mr. Luo is a director and a general manager of Guangzhou Elite Education & Technology Co., Ltd.* (廣州英荔教育科技有限公司). Mr. Luo graduated from the Continuing Education School of Jinan University* (暨南大學成人教育學院) in July 1987 with a certificate of graduation in business and economic management. Mr. Luo has also completed the EMBA course at Fudan University* (復旦大學) in Shanghai and was awarded an EMBA degree in July 2012. Mr. Luo is the elder brother of Mr. Luo Fei, the Chairman of the Board and one of the Company's executive Directors.

Mrs. Mingshu Zhao Wiggins, aged 40, is a non-executive Director of the Company. Mrs. Zhao was appointed as a non-executive Director on 1 January 2024. She is the Co-Founder and Chairwoman of PROVEN Group, an artificial intelligence and digital technology-enabled personalized cosmetics company she founded in 2017. The Group invested in PROVEN Group, Inc. as a minority shareholder holding initially approximately 13% of its issued shares in 2019. Mrs. Zhao is interested in approximately 16.54% of the issued shares of PROVEN Group, Inc., which is an associated corporation of the Company under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) by virtue of the Group's ownership of approximately 23.51% in its issued shares. Prior to this, she served as Head of Partnerships of new markets in NerdWallet, Inc. (Nasdaq: NRDS) from 2014 to 2016; as an Investor in Pacific Alternative Asset Management Company from 2011 to 2013; as a Private Equity Investor in Bain Capital from 2008 to 2010; and as a Management Consultant in The Boston Consulting Group from 2006 to 2008. Mrs. Zhao graduated with a master's degree in business administration from Harvard Business School in 2012 and a bachelor's degree from Emory University in 2006.

* *for identification purposes only*

DIRECTORS (CONTINUED)

Independent Non-executive Directors

Mr. Tan Wee Seng (陳偉成), aged 68, is an independent non-executive Director of the Company. Mr. Tan was appointed as an independent non-executive Director on 12 July 2010 and is chairman of the Company's Remuneration Committee. Mr. Tan is also a non-executive director, a chairman of the sustainability committee, a member of the nomination committee and a member of the audit committee of Xtep International Holdings Limited* (特步國際控股有限公司) (Stock Code: 1368), an independent non-executive director, a chairman of the audit committee and a chairman of the nomination committee of Sa Sa International Holdings Limited* (莎莎國際控股有限公司) (Stock Code:178), an independent non-executive director, a chairman of the audit committee and a member of the remuneration committee of CIFI Holdings (Group) Company Limited* (旭輝控股（集團）有限公司) (Stock Code:884), an independent non-executive director, a chairman of the audit committee, a chairman of remuneration committee and a member of the nomination committee of Shineroad International Holdings Limited* (欣融國際控股有限公司) (Stock Code:1587), the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Tan is also a board member of Beijing City International School* (北京樂成國際學校), an academic institution in Beijing. Mr. Tan has been appointed as an independent non-executive director and a chairman of the audit committee of Sinopharm Group Company Limited* (國藥控股股份有限公司) (Stock Code: 1099) from September 2014 to September 2020 listed on the Main Board of Stock Exchange, an independent director, a chairman of the audit committee, a member of nominating and corporate governance committee and a member of the Environmental, Social and Governance committee of Renesola Ltd (Stock Code: SOL), the shares of which are listed on the New York Stock Exchange ("**NYSE**") from April 2009 to January 2023, an independent director and a chairman of the audit committee of 7 Days Group Holdings Limited, listed on the NYSE, between November 2009 and July 2013, until it was privatized. He was the chairman of the special committee for the privatization of 7 Days Group Holdings Limited from October 2012 to July 2013. Mr. Tan has over 30 years of financial management, corporate finance, merger and acquisition, business management and strategy development experience. Mr. Tan has held various management and senior management positions in a number of multinational corporations. Mr. Tan was previously the managing director of AFE Computer Services Limited, a Reuters subsidiary located in Hong Kong which was mainly engaged in domestic equity and financial information services; a director of Infocast Pty Limited, a Reuters subsidiary in Australia; and the regional finance manager of Reuters East Asia. From 1999 to 2002, Mr. Tan was the senior vice president of Reuters for the China, Mongolia and North Korea regions, and the chief representative of Reuters in China. From 2003 to 2008, Mr. Tan was an executive director, chief financial officer and company secretary of Li Ning Company Limited* (李寧有限公司), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Tan is a professional accountant and a fellow member of the Chartered Institute of Management Accountants in the United Kingdom, and a fellow member of the Hong Kong Institute of Directors.

Mrs. Lok Lau Yin Ching (駱劉燕清), aged 69, is an independent non-executive Director of the Company. Mrs. Lok was appointed as an independent non-executive Director on 24 March 2020. Mrs. Lok is a strategic Human Resources leader with over 30 years of experience in driving people and business transformation. Mrs. Lok worked for MetLife Asia Limited as the SVP, Regional Head of Human Resources from 2012 to 2019. She partnered with global human resources leaders of MetLife in formulating global human resources strategies and built a world-class Asia human resources function with a composite of both international and local talents for developing and driving the implementation of business strategies. From 2005 to 2012, she worked for HSBC Insurance (Asia) Limited as the Asia Regional Head of Human Resources. She built and drove human resources strategies to grow the insurance business in Asia within the HSBC Group. Prior to joining HSBC Insurance (Asia) Limited, Mrs. Lok was the Regional Head of Human Resources of AXA Asia from 2000 to 2005. In addition, Mrs. Lok has been active in voluntary services including being the Treasurer with the 10th Tai Po Scout Group for over 20 years. Mrs. Lok holds a Bachelor of Arts degree (Economics & Sociology) from the University of Leeds in the United Kingdom. She is certified in the Woman Directorship program of the University of Hong Kong. She is also a certified Master Neuro-Linguistic Programming Practitioner, a certified Executive Coach as well as a certified Emotional Intelligence Coach & Practitioner.

* *for identification purposes only*

DIRECTORS (CONTINUED)

Independent Non-executive Directors (continued)

Professor Ding Yuan (丁遠), aged 55, is an independent non-executive Director of the Company. Professor Ding was appointed as an independent non-executive Director on 1 January 2023 and is chairman of the Company's Audit Committee. Professor Ding has been an independent non-executive director, the chairman of the audit committee, a member of the nomination committee and a member of the strategy committee of JS Global Lifestyle Company Limited* (JS環球生活有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1691) since August 2022. He has been an independent non-executive director, the chairman of the remuneration committee, and a member of each of the nomination committee and the audit committee of Man Wah Holdings Limited* (敏華控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1999) since December 2016. He has been an independent non-executive director, the chairman of the audit committee, and the chairman of the risk and compliance committee of Bluestar Adisseo Company* (藍星安迪蘇股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600299) since August 2018 and a non-executive director of Saurer Intelligent Technology Co. Ltd* (卓郎智能技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600545), since May 2018 and was a member of the audit committee of which from May 2018 to September 2021. Since January 2021, Professor Ding has also served as an independent non-executive director of Shanghai Large & Kunchi Group Inc.* (上海路捷鯤馳集團股份有限公司), a private consumer goods company. Professor Ding was an independent non-executive director and the chairman of audit committee of Red Star Macalline Group Corporation Ltd.* (紅星美凱龍家居集團股份有限公司) (stock code: 1528) from March 2012 to November 2018 and was an independent non-executive director, the chairman of the audit committee, and a member of each of the remuneration committee and the nomination committee of Landsea Green Properties Co., Ltd.* (朗詩綠色地產有限公司) (stock code: 106) from July 2013 to May 2019, respectively, both of which are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Jaccar Holdings, a private investment company, from July 2011 to August 2021. Professor Ding was an independent director and the chairman of the audit committee of Anhui Gujing Distillery Co.,Ltd.* (安徽古井貢酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000596), from June 2008 to June 2011 and at TCL Corporation* (TCL集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000100), from June 2008 to June 2014. From July 2011 to June 2015, he was an independent non-executive director and the chairman of the audit committee of MagIndustries Corp., a company listed on the Toronto Stock Exchange (stock code: MAA). Professor Ding has more than twenty years of experience in teaching and researching financial accounting, financial statement analysis, corporate governance and mergers and acquisitions. He graduated with a doctor of philosophy degree in management science from the College of Business Administration, Bordeaux IV University in France in May 2000. He also obtained a master's degree in enterprise administration from the University of Poitiers, France in June 1995. Professor Ding served as a tenured professor in accounting and management control at the HEC School of Management in Paris, France from September 1999 to September 2006. He joined China Europe International Business School* (中歐國際工商學院) in September 2006 and served as the vice president and dean from May 2015 to March 2023.

* *for identification purposes only*

BIOGRAPHY **OF DIRECTORS AND SENIOR MANAGEMENT**

SENIOR MANAGEMENT

Mr. Akash Bedi, aged 40, is the rotating Chief Executive Officer of the Company. He has also been the Chief Executive Officer for Europe, North America, Middle East and India since November 2023. He was the acting Chief Executive Officer from October 2022 to August 2023 and was the Chief Strategy and Operation Officer of the Company from December 2019 to September 2022. He joined the Group in July 2018 as Senior Director of Strategy and Corporate Affairs. In the last 4 years, he has been successfully leading and managing the Swisse business for India and Middle East market. Also, he led the integration of our pet nutrition brands including Solid Gold and Zesty Paws. Prior to joining the Company, Akash held the position of Director, Global Consumer & Retail at HSBC for over 10 years since May 2008 where he worked on highly complex mergers and acquisitions transactions from its global offices in New York, London and Hong Kong. Akash obtained a Bachelor's degree in Engineering (Mechanical) from Manipal Institute of Technology, India in 2005 and an MBA degree from the Cardiff Business School in the UK in 2006.

Dr. Hanno Cappon, aged 58, has been the Chief Technology Officer of the Company since January 2021. He is responsible for the Group's Science, Technology and Quality, R&D Strategies, Innovation partnerships and projects globally to support the mid and long-term innovation and growth of our business. Dr. Cappon has over 25 years' of successful experience in Nutrition and Health innovation and bringing new ingredients, foods and therapeutic solutions to industry, consumers and healthcare. Prior to joining the Group, Dr. Cappon was Vice President of R&D, Nutritionals and Digestive Health in Bayer Consumer Health from 2017 to 2020. Before that, he held the position of VP of R&D Medical & Paediatric Nutrition at Danone Nutricia from 2009 to 2017. Dr. Cappon obtained a Master's degree as Engineer in Chemical Technology from Technical University Delft, The Netherlands in 1989 and his Ph.D. in Bio-Organic Chemistry from Leiden University in 1993.

Mr. Zhang Qizhang (張琦章), aged 39, has been the Chief People Officer of the Company since July 2020. He joined the Group in June 2014. Mr. Zhang was the Director of the Integrated Marketing Centre of the Group from April 2015 to December 2017 then was appointed as the Group General Manager of new business development and assumed additional responsibility as Chief People Officer from January 2018 to June 2020. He was also the General Manager of the United Kingdom from July 2020 to February 2022. Before that, he was the Marketing Director of Biostime and assumed additional responsibility as Director of the Corporate Innovation Marketing Centre. He started his career at Procter & Gamble ("**P&G**") in China from graduation as a brand manager at the marketing department until May 2014. Mr. Zhang obtained his bachelor's degree in public management in Renmin University of China* (中國人民大學) in June 2007.

Ms. Li Fengting (李鳳婷), aged 39, has been the Chief Executive Officer for China since August 2020. Ms. Li also has recently been appointed as one of three Rotating Group CEOs. She joined the Group in May 2018 as ANC China sales and marketing general manager. She manages all operations of BNC and ANC in China and is responsible for most functions in China, including quality & regulation, supply chain and public relationship. Ms. Li has over 10 years of experience in fast-moving consumer goods ("**FMCG**") sales, marketing and omni-channel management. Prior to joining the Group, she worked for P&G in China and Singapore from July 2008 to April 2018, where she led the global brand Downy Unstoppable launch into global multi-regions and Tampax launch into China. Ms. Li graduated from Zhejiang University* (浙江大学) in 2008 and obtained a bachelor's degree in Industrial Design.

Mr. Nicholas Russell Lamande Mann, aged 50, in addition to his role as Chief Executive Officer for Asia, Australia and New Zealand, a role which he has held since March 2022, Mr. Mann has recently been appointed as one of three Rotating Group CEOs. He joined the Group in September 2017 as the Sales Director for Australia and New Zealand and was promoted to Managing Director for Australia and New Zealand in September 2019. Over a 27-year span prior to joining the Group, Mr. Mann gained a great deal of experience working in a variety of senior sales, marketing, and general management roles across CPG, Technology and Beverage Alcohol categories for firms such as Gillette, Motorola, Foster's Group and Treasury Wine Estates. Mr. Mann obtained a Bachelor of Science Degree from The University of Melbourne in 1995.

* *for identification purposes only*

SENIOR MANAGEMENT (CONTINUED)

Mrs. Pascale Laborde, aged 44, has been the Chief Growth and Sustainability Officer since January 2024. She is also Director of Global Marketing and Communications since November 2021. She joined the Group in March 2019. She is responsible for leading the marketing, communications and sustainability strategy for H&H globally across our BNC, ANC and PNC business segments. Prior to joining the Group, she worked at KFC France part of Group Yum. From 2014 to 2019, first as Head of Sales, Media and Advertising, then Marketing Innovation Director and Chief Marketing Officer. From 2004 to 2014, she also worked at Unilever France, in a number of Marketing and Sales roles managing strategic accounts. She graduated from Hautes Etudes Commerciales (HEC) and obtained a master's degree in marketing in 2003.

Mr. Christian Sim, aged 51, has been the Chief Supply Chain Officer since January 2024. He is responsible for the planning, logistics, sourcing and operations to ensure all H&H Products meet our high standards across quality, sustainability, customer service and cost. Prior to this role, he held the position of Group Director of Sourcing and Strategy and he joined the H&H Group in May 2019. Before joining the Group, he worked at GNT International until Feb 2019 in the position of Chief Operating Officer. Prior to this role, he worked at Treasury Wine Estates (Formally Foster's Group) from May 1999 to September 2017. During this period, he held a number of General Manager roles across Regional Wines from December 2015 to September 2017, Planning and Logistics from January 2010 to November 2015 and Packaging Operations from July 2007 to December 2009. He graduated from Monash University where he achieved Honours in Chemical Engineering and a Bachelor of Laws degree in 1998. He also has a Master of Business Administration from the University of Melbourne achieved in 2005.

Ms. Angela Brady, aged 43, has been Global Innovation & Partnering Director since April 2023. She joined the Group in Dec 2021 as External Innovation & Partnering Director. She is responsible for H&H Group's Global Innovation portfolio, External Innovation establishing Strategic Innovation partners and supporting regions to deliver against their 3 year New Product Development pipelines. Before joining the Group, she worked at GlaxoSmithKline Consumer Health for 8 years until Nov 2021 where she held the position of R&D Innovation Director spearheading the development of strategies to drive growth in breakthrough innovation initiatives. Prior to that, Angela spent over 11 years in discovery of new medicines, firstly with Eisai London Research from Oct 2002 to July 2004 when she joined GlaxoSmithKline Pharma. During her tenure, Angela moved from the UK to Singapore where she held the position of Team Leader in Molecular Pharmacology, heading a team of Scientists to identify novel candidates as therapies for neurodegenerative diseases. She graduated from University of Nottingham in 2001 with a Bachelor of Science Degree in Biological Sciences, followed by a Master of Science in Forensic Science obtained at Kings College London in 2002.

Ms. Yang Wenyun (楊文筠), aged 40, has been the Senior Director of the Listing Affairs and Risk Management Department since March 2019. She joined the Group in August 2005 and was appointed as one of the joint company secretaries of the Company since 12 July 2010 to 25 June 2019. From 25 June 2019, Ms. Yang has acted as the sole company secretary of the Company. She is mainly in charge of overall listed corporation affairs, risk management, internal audit and legal affairs of the Group. She is also the supervisor of a variety of subsidiaries of the Company. Ms. Yang started her professional career with the Group and has obtained substantial experience through corporate governance, risk management, administration, legal affairs, information security management, internal audit, public relations and human resources management over the past nineteen years with the Group. Ms. Yang is an associate member of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute. She also holds the Chartered Governance Professional. Ms. Yang obtained a bachelor's degree in law from Sun Yat-Sen University* (中山大學) in June 2005. She successfully completed the Business Sustainability Management Program presented by the University of Cambridge Institute for Sustainability Leadership in December 2023.

CHANGES IN INFORMATION OF DIRECTORS

There are no changes in the information of the Directors of the Company required to be disclosed in this Annual Report pursuant to Rule 13.51B(1) of the Listing Rules.

* *for identification purposes only*

CORPORATE **GOVERNANCE REPORT**

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to present this Corporate Governance Report in the Annual Report.

CORPORATE GOVERNANCE CULTURE, PURPOSE, VALUE AND STRATEGY

Embedded in the Company's name, the mission of the Group is to bring health and happiness to humankind and pets. The Group strives to achieve this mission by embracing and executing the vision of creating differentiated quality products and an aspired brand and becoming the global industry leader of nutrition and health. We see ourselves as one big team comprising of every individual in the Group. We embrace the culture of passion, courage, and trust. In terms of corporate governance, with a view of ensuring that the Group's mission, vision, and culture are reflected and implemented across all aspects of the administration and governance of the Group, the Company observes the highest ethical standards for all its affairs.

It is believed that faithful implementation of the Group's corporate governance practice could facilitate satisfactory and sustainable returns to stakeholders, protection of the interests of those who deal with the Company, the management of overall business risks, the delivery of high-quality products and services, and maintenance of high standards of ethics. Through such means, the Company believes that stakeholders' interests will be maximised in the long term and that its employees, those with whom it does business, and the communities in which it operates will all benefit.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Throughout the year ended 31 December 2023, the Company has complied with all the code provisions as set out in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the Company Code and the Model Code throughout the year ended 31 December 2023.

The Company has also established written guidelines (the "**Employees Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the year ended 31 December 2023.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

CORPORATE **GOVERNANCE REPORT**

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board make decisions objectively in the best interests of the Company. All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

As at the date of this report, the Board currently comprises nine members, consisting of two executive Directors, four non-executive Directors and three independent non-executive Directors. The Board has also established four Board committees, namely, the nomination committee (the "**Nomination Committee**"), the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the environmental, social and governance committee (the "**ESG Committee**")[1]. Directors' biographical details are set out in the section headed "Biography of Directors and Senior Management" on pages 21 to 27 of this Annual Report. As at the date of this report, the Board currently comprises the following members:

Executive Directors:
Mr. Luo Fei *(Chairman, chairman of the Nomination Committee and members of the Remuneration Committee and the ESG Committee)*
Mr. Wang Yidong

Non-executive Directors[2]:
Mrs. Laetitia Albertini *(chairman of the ESG Committee)*
Dr. Zhang Wenhui
Mr. Luo Yun *(member of the Audit Committee)*
Mrs. Mingshu Zhao Wiggins

Independent non-executive Directors[3]:
Mrs. Lok Lau Yin Ching *(members of the Remuneration Committee and the Nomination Committee)*
Mr. Tan Wee Seng *(chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee)*
Professor Ding Yuan *(chairman of the Audit Committee)*

1 Mrs. Pascale Laborde, our Chief Growth and Sustainability Officer, is a member of the ESG Committee.
2 Mrs. Laetitia Albertini has been redesignated as a non-executive Director with effect from 1 January 2023.
Mrs. Mingshu Zhao Wiggins has been appointed as a non-executive Director with effect from 1 January 2024.
3 Professor Ding Yuan has been appointed as an independent non-executive Director with effect from 1 January 2023.

THE BOARD (CONTINUED)

Board Composition (continued)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Mr. Luo Fei, the Chairman and an executive Director, is the younger brother of Mr. Luo Yun, a non-executive Director. Save as disclosed, there are no financial, business, family or other material/relevant relationships among members of the Board.

In compliance with Rule 3.09D of the revised Listing Rules which took effect on 31 December 2023, Mrs. Mingshu Zhao Wiggins, who was appointed as a non-executive Director on 1 January 2024, obtained the legal advice referred to in Rule 3.09D on 19 December 2023 from Morgan Lewis & Bockius and Mrs. Mingshu Zhao Wiggins has confirmed that she understood her obligations as a Director.

Delegation by the Board

During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflicts of interest and serving on Board committees, all non-executive Directors make various contributions to the effective direction of the Company.

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making a request to the Board.

For the year ended 31 December 2023, the Board managed the business and affairs of the Company in certain circumstances through an executive committee (the "**Executive Committee**") which comprises the Chairman of the Board, executive Directors, and the rotating Chief Executive Officer ("**CEO**"), as the representative of the CEO Office. The day-to-day administration and operation of the Company are delegated to the CEO Office. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Executive Committee has been dissolved with effect from 26 March 2024. Upon dissolution of the Executive Committee, its functions and duties have been taken over by the CEO Office. For details of the functions and duties of the CEO Office, please refer to the section headed "Chairman and Chief Executive Officer" on page 31 of this annual report.

THE BOARD (CONTINUED)

Delegation by the Board (continued)

The Board has also delegated to Audit Committee, Nomination Committee, Remuneration Committee and ESG Committee the responsibility for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference which have been posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. The list of the chairman and members of each these Board committee is set out under "Corporate Information" on page 2 of this Annual Report. The Board committees should report to the Board on their decisions or recommendations made.

The Board has the full support of the CEO Office and the senior management for the discharge of its responsibilities.

Chairman and Chief Executive Officer

The roles of Chairman and CEO should be separate to reinforce their respective independence and accountability. The Board has established a permanent governance body, the CEO Office, comprising (i) the rotating CEO, which will be sequentially taken by regional CEO of North America and Europe, regional CEO of Asia, Australia and New Zealand, and regional CEO of China, who will act as the CEO of the Group by rotation (in the abovementioned order) for a term of 9 months each commencing on 1 December 2023; and (ii) as standing members, the Group's chief financial officer, the Group's chief operating officer, the Group's chief people officer and the Chairman. The CEO office is led by the rotating CEO, who focuses on the Company's business development, strategy execution and daily management and operations generally, while the Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. Standing members of the CEO office support the rotating CEO in the day-to-day management of the business and the implementation of strategy. The rotating CEO reports to the Chairman.

During the year ended 31 December 2023, the position of Chairman is held by Mr. Luo Fei, while the position of CEO was held by Mr. Akash Bedi (as acting CEO from 1 January 2023 to 31 August 2023), Mr. Camillo Pane (from 1 September 2023 to 17 November 2023), and was assumed by the rotating CEO with the support of the CEO Office commencing from 1 December 2023. Mr. Akash Bedi has been serving as the rotating CEO since 1 December 2023, which will continue for a term of 9 months.

As the member of the CEO Office, the rotating CEO, namely, the current regional CEO of North America and Europe, regional CEO of Asia, Australia and New Zealand, and regional CEO of China are Mr. Akash Bedi, Mr. Nicholas Russell Lamande Mann and Ms. Fengting Li (known as Suceka Li), respectively. The Chairman and other Directors do not have any financial, business, family, materials or other relevant relationships with the rotating CEOs.

Details of the biography of Mr. Akash Bedi, Mr. Nicholas Russell Lamande Mann and Ms. Fengting Li are set out in the section headed "Biography of Directors and Senior Management" on pages 21 to 27 of this Annual Report.

THE BOARD (CONTINUED)

Company Secretary

Ms. Yang Wenyun ("**Ms. Yang**") has been appointed as the Company Secretary of the Company. Details of the biography of the company secretary are set out in the section headed "Biography of Directors and Senior Management" on pages 21 to 27 of this Annual Report.

Ms. Yang has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2023.

Board Practices of Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications.

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and Board committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 7 days before each Board meeting or Board committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management attends all regular Board meetings and where necessary, other Board and Board committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary is responsible for taking and keeping minutes of all Board meetings and Board committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Company's Articles of Association (the "**Articles of Association**") contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Board has four scheduled meetings a year at quarterly intervals and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance.

During the year ended 31 December 2023, the Board held eight meetings. During the meetings of the Board held in 2023, the Board reviewed the operation and financial performance and reviewed and approved the annual results for the year ended 31 December 2022 and the interim results for the six months ended 30 June 2023.

Apart from the eight Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2023.

THE BOARD (CONTINUED)

Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2023

Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	ESG Committee Meetings (Note 6)	Annual General Meeting
Executive Directors						
Mr. Luo Fei (Note 1)	8/8	N/A	2/2	2/2	2/2	1/1
Mr. Wang Yidong	8/8	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Mrs. Laetitia Albertini (Note 2)	8/8	N/A	N/A	N/A	2/2	1/1
Dr. Zhang Wenhui	8/8	N/A	N/A	N/A	N/A	1/1
Mr. Luo Yun	8/8	2/2	N/A	N/A	N/A	1/1
Mrs. Mingshu Zhao Wiggins (Note 3)	N/A	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors						
Mrs. Lok Lau Yin Ching	7/8	N/A	2/2	2/2	N/A	1/1
Mr. Tan Wee Seng (Note 4)	8/8	2/2	2/2	2/2	N/A	1/1
Professor Ding Yuan (Notes 5)	8/8	2/2	N/A	N/A	N/A	1/1
Date of Meeting *(DD/MM/YYYY)*	21/03/2023 28/05/2023 20/06/2023 22/08/2023 05/09/2023 17/11/2023 05/12/2023 29/12/2023	20/03/2023 21/08/2023	21/03/2023 29/12/2023	05/09/2023 29/12/2023	15/02/2023 24/11/2023	12/05/2023

Notes:

1: Chairman of the Board, Nomination Committee, and Executive Committee
2: Redesignated as Non-executive Director with effect from 1 January 2023, Chairman of the ESG Committee
3: Appointed with effect from 1 January 2024
4: Chairman of the Remuneration Committee
5: Appointed with effect from 1 January 2023, Chairman of the Audit Committee
6: Mrs. Pascale Laborde, a member of the ESG Committee, has attended two ESG committee meeting during the year ended 31 December 2023

None of the meetings set out above was attended by any alternate Director.

THE BOARD (CONTINUED)

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company. It oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board acts in the best interest of the Company objectively by directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

Collectively, the Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge, industry know-how and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on the Company's strategy, corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors are also required to disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Board has delegated to the senior management certain authority and responsibility for the day-to-day management and operation of the Group, the exercise of which is subject to the close scrutiny by the Board. The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

Independence of Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of Rule 3.13 of the Listing Rules. Based on these confirmations, the Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules.

In order to better encourage the independent non-executive Directors to exert their professional knowledge and expertise for the Company, each of them was granted share options by the Company under the Share Option Schemes adopted by the Company. Details of such grant of share options are set out on page 60 of this Annual Report.

THE BOARD (CONTINUED)

Mechanism to Ensure Independent Views and Input are Available to the Board

To ensure independent views and input are provided to the Board, the Board has taken the following measures:

Board and Committees' structure

The Company is steered by the Board comprising of a majority of non-executive Directors and independent non-executive Directors. Among nine Directors, only two of them are executive Directors. In addition, for the year ended 31 December 2023, the role of the Chairman and the CEO Office (assuming the roles and responsibilities of CEO) are separated to ensure that there is a balance of power and authority.

Independent non-executive Directors' remuneration

Independent non-executive Directors receive fixed Directors' fees for their role as members of the Board and Board Committees as appropriate. Caution is also taken not to over grant awards under share option schemes and share award schemes of the Company to the extent that their independence may be affected.

Appointment of independent non-executive Directors

In assessing suitability of the candidates for potential appointment of independent non-executive Director, the Nomination Committee and the Board will review, among others, their profiles, including their qualification and time commitment, having regard to the Board's composition, the Directors' skill matrix and other internal policies of the Group.

Annual review of Independent non-executive Directors' commitment and independence

The Board annually review each Director's time commitment to the Company. Directors' attendance records in 2023 are also disclosed in this Corporate Governance Report.

The Board would assess the independent non-executive Directors' independence upon appointment, annually, and at any other time when the need to reconsider arises.

Conflict management

Directors are required to report and avoid conflicts of interests with the Company and appropriate actions would be taken by the Board to manage conflicts when such conflicts arises.

Professional advice

If required, all Directors are entitled to seek advice from independent professional advisers at the Company's expense.

Term of Appointment of Non-executive Directors

Each of the non-executive Directors (including independent non-executive Directors) of the Company has entered into a letter of appointment with the Company for a specific term of three years, automatically renewable upon expiration, and is subject to retirement by rotation at an annual general meeting ("**AGM**") at least once every three years and being eligible, offer himself/herself for re-election pursuant to the Company's Articles of Association.

THE BOARD (CONTINUED)

Appointment, Re-election and Removal of Directors

The Company has established formal, considered and transparent procedures for the appointment of Directors.

The Company has adopted the procedures for shareholders to propose a person for election as a Director of the Company. These procedures are available and accessible on the Company's website at www.hh.global.

Each of the Directors of the Company has entered into a service contract or a letter of appointment with the Company for a specific term. Such term is subject to his/her re-election at an AGM upon retirement pursuant to relevant articles of the Articles of Association.

In accordance with the Company's Articles of Association adopted by the Company on 12 May 2023, any Director appointed by the Board to fill a casual vacancy, or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting. At each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, 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 at an AGM at least once every three years and being eligible offer themselves for re-election.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group.

The remuneration of each member of the senior management of the Group by band for the year ended 31 December 2023 is set out below:

Remuneration Bands	Number of Persons
Below HKD5,000,000	1
HKD5,000,001 to HKD8,000,000	3
HKD8,000,001 to HKD11,000,000	2
HKD11,000,001 to HKD14,500,000	1

Further particulars regarding Directors' and chief executive's remuneration and five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in note 8 to the financial statements.

THE BOARD (CONTINUED)

Continuous Professional Development

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuing briefing and professional development for Directors are arranged where necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses. In 2023, the Company engaged the external legal counsel to provide a training to the Directors so that the Directors learned the latest changes to the Listing Rules and CG Code.

During the year ended 31 December 2023, the Directors participated in the following trainings:

Directors	Type of Training *Note*
Executive Directors	
Mr. Luo Fei	A, B
Mr. Wang Yidong	A, B
Non-executive Directors	
Mrs. Laetitia Albertini *(redesignated with effect from 1 January 2023)*	A, B
Dr. Zhang Wenhui	A, B
Mr. Luo Yun	A, B
Mrs. Mingshu Zhao Wiggins *(appointed on 1 January 2024)*	A, B
Independent non-executive Directors	
Mrs. Lok Lau Yin Ching	A, B
Mr. Tan Wee Seng	A, B
Professor Ding Yuan *(appointed on 1 January 2023)*	A, B

Notes:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops relating to directors' duties and responsibilities/corporate governance/updates on Listing Rules amendments etc.

B: Reading relevant news alerts, newspapers, journals, magazines, updates and relevant publications relating to the economy/general business/directors' duties and responsibilities etc.

THE BOARD (CONTINUED)

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board on 20 March 2012 in compliance with code provision A.2.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and relevant disclosures in the Corporate Governance Report of the Annual Report of the Company.

During the year ended 31 December 2023, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Company Code, Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and relevant disclosures in this Corporate Governance Report.

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023. The Directors' responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023 are set out in the Directors' Report on page 84 of this Annual Report.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Liability Insurance for Directors

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities since August 2011, which is reviewed and renewed on an annual basis. The insurance coverage was renewed on 18 August 2023.

NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely, Mr. Luo Fei (the executive Director, Chairman of the Nomination Committee), Mr. Tan Wee Seng and Mrs. Lok Lau Yin Ching, the independent non-executive Directors. The majority of them are independent non-executive Directors, and the chairman of the Nomination Committee is chaired by the Chairman of the Board.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment, reappointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee considers the candidate's character, qualifications, experience, independence and other relevant criteria as set out in the Director Nomination Policy to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

The Nomination Committee held two meetings during the year ended 31 December 2023 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on the re-election of Directors and the attendance records are set out in the section headed "Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2023" on page 33 of this Annual Report. Especially, the Nomination Committee contributed much to the selection of the new non-executive Director in 2023.

BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(a) at least 30% of members of the Board shall be female;

(b) at least one-third of the members of the Board shall be independent non-executive Directors;

(c) at least one of the members of the Board shall have obtained accounting or other professional qualifications;

(d) at least 70% of the members of the Board shall have more than 15 years of experience in the industry he/she is specialised in; and

(e) at least 50% of the members of the Board shall have multinational-related work experience or education experience.

The Board is committed to improving the diversity of the Board and wishes to achieve the above objectives by the end of 2024.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the vast majority of objectives set in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. Mrs. Laetitia Albertini has been redesignated as a non-executive Director with effect from 1 January 2023, and Professor Ding Yuan has been appointed as an independent non-executive Director with effect from 1 January 2023. Save as disclosed, there was no change in the composition of the Board during the year ended 31 December 2023. Mrs. Mingshu Zhao Wiggins has been appointed as a non-executive Director with effect from 1 January 2024.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

In accordance with Articles 84(1) and 84(2) of the Company's Articles of Association, Mr. Luo Fei and Mr. Wang Yidong, the executive Directors and Mrs. Lok Lau Yin Ching, the independent non-executive Director, shall retire from office by rotation at the forthcoming AGM to be held on 10 May 2024 (the "**2024 AGM**"). In addition, Mrs. Mingshu Zhao Wiggins, being the non-executive Director, appointed by the Board with effect from 1 January 2024, shall hold office until the 2024 AGM and be subject to re-election at such meeting pursuant to Article 83(3) of the Company's Articles of Association. All the above Directors, being eligible, will offer themselves for re-election at the 2024 AGM.

The Company's circular to be dated 17 April 2024 contains detailed information of the Directors standing for re-election.

AUDIT COMMITTEE

The Audit Committee comprises three members, namely, Professor Ding Yuan (the independent non-executive Director, Chairman of the Audit Committee), Mr. Luo Yun, the non-executive Director, and Mr. Tan Wee Seng, the independent non-executive Director (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Company has adopted a whistleblowing policy for promoting high corporate governance standards and deterring wrongdoings. The policy aims at encouraging and enabling employees of the Group at all levels and as well as distributors and suppliers to report to the Audit Committee violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function, internal auditors or external auditors before submission to the Board;

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors;

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management systems and associated procedures; and

- To review the arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

The Audit Committee has reviewed the Company's interim results for the six months ended 30 June 2023 and the annual results for the year ended 31 December 2023, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 and the Annual Report for the year ended 31 December 2023, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, scope of work and the re-appointment of the external auditors, connected transactions and arrangement for employees to raise concerns about possible improprieties. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditors.

The Audit Committee held two meetings during the year ended 31 December 2023 and the attendance records are set out in the section headed "Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2023" on page 33 of this Annual Report.

The Audit Committee also met the external auditors twice without the presence of the executive Directors in the year of 2023.

AUDIT COMMITTEE (CONTINUED)

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements of the Company is set out in the Independent Auditor's Report on pages 85 to 90 of this Annual Report.

Non-audit services by the external auditors are subject to the Audit Committee's approval and may be engaged only if they are more effective or economical than those available from other service providers and will not constitute adverse impact on the independence of the external auditors.

The Audit Committee has reviewed the independence and objectivity of the external auditors in 2023 and has been satisfied with the findings. The Audit Committee has recommended to the Board the re-appointment of Ernst & Young as the Company's external auditors at the 2024 AGM.

During the year ended 31 December 2023 under review, the remuneration paid/payable to the Company's external auditors, Ernst & Young, is set out below:

Type of Services	**RMB'000**
Annual audit services	8,047
Non-audit services	
– Other financial services	2,474
– Review of interim condensed consolidated financial statements	2,312
– Tax advisory & global compliance services	299
– Other advisory services	295
Total	13,427

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely, Mr. Tan Wee Seng (the independent non-executive Director, Chairman of the Remuneration Committee), Mr. Luo Fei, the executive Director, and Mrs. Lok Lau Yin Ching, the independent non-executive Director. The majority of them are independent non-executive Directors.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code, and amended with effect from 30 December 2022. The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management's remuneration, and remuneration packages of the individual executive Directors and the senior management. The Remuneration Committee is also responsible for establishing a formal and transparent procedure for developing such remuneration policy and structure to ensure that no Director or any of his/her associates (as defined in the Listing Rules) will be involved in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department of the Company is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman and/or the CEO Office of the Company about these recommendations on remuneration policy and structure and remuneration packages.

REMUNERATION COMMITTEE (CONTINUED)

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and the senior management, assessed performance of executive Directors, approved the terms of executive directors' service contracts, and reviewed and/or approved matters relating to share schemes under Chapter 17 of the Listing Rules for the year ended 31 December 2023 under review. Especially, the Remuneration Committee reviewed the remuneration package for the new CEO to ensure attractiveness to candidates but also in line with the Company's remuneration governance principles.

The Remuneration Committee held two meetings during the year ended 31 December 2023 and the attendance records are set out in the section headed "Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2023" on the page 33 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The ESG Committee was established on 29 August 2022 with a set of written terms of reference. The ESG Committee consists of three members, namely, Mrs. Laetitia Albertini, the non-executive Director, Mr. Luo Fei, the executive Director, and Mrs. Pascale Laborde (Chief Growth and Sustainability Officer). Mrs. Laetitia Albertini was appointed as the chairman of the ESG Committee.

The purpose of the establishment of the ESG Committee is to better position our Group for management of sustainability issues and enhance quality of disclosure in relation thereto. The ESG Committee is responsible for:

(a) assisting the Board to oversee, review and make recommendations to the Board on the establishment and development of the Group's vision, objectives, targets and strategies on sustainability;

(b) developing, reviewing and overseeing the implementation of the sustainability policies and procedures of the Group on their effectiveness and make recommendations to the Board;

(c) identifying the relevant sustainability issues and relevant circumstances that significantly affect the operations of the Group and/or the interest of other important stakeholders;

(d) reviewing major trends in sustainability and related risks and opportunities for alignment of the Group's position and performance on the sustainability issues are aligned with relevant requirements and standards, and make recommendations to the Board;

(e) properly managing the risks associated with the sustainable development of the Group; and

(f) supporting and working with the sustainability working group of the Group to improve the quality of sustainability information disclosure.

The ESG Committee has reviewed and recommended the Group's sustainability materiality assessment, discussed the Group's climate action plan, reviewed the diversity, equity and inclusion strategy, and recommended to the Board the inclusion of environmental, social and governance metrics into the Chief Executive Officer 2023 short term incentive plan.

The ESG Committee held two meetings during the year ended 31 December 2023 and the attendance record is set out in the section headed "Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2023" on the page 33 of this Annual Report.

EXECUTIVE COMMITTEE

The Executive Committee comprises three members, namely, Mr. Luo Fei (Chairman of the Executive Committee), Mr. Wang Yidong, the executive Directors and Mr. Akash Bedi, the rotating CEO in office (as representative of the CEO Office). According to its terms of reference, the Executive Committee is established to receive updates and/or approve material operational matters of the Group on a regular basis so as to allow the Board to devote more time to strategic matters. The Executive Committee has the authority to exercise the powers of the Board in the management of the business and affairs of the Company, provided that certain matters are reserved for the Board's approval, including but not limited to the declaration of dividends, issuance of securities, transactions contemplated under Chapter 14 and Chapter 14A of the Listing Rules and disclosure of inside information, etc. The Executive Committee redelegates all its power to the CEO Office, save and except the power to approve budget adjustment, Finalize and submit reports to the Board, etc.

The Executive Committee was established on 17 September 2020 and has approved and executed a range of business matters based on analysis submitted by the CEO Office during the year ended 31 December 2023 under review. The Board dissolved the Executive Committee with effect from 26 March 2024. Upon dissolution of the Executive Committee, its functions and duties have been taken over by the CEO Office.

RISK MANAGEMENT AND INTERNAL CONTROLS

Duties of the Board

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks which it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Risk Management

1. Main Features of H&H Risk Management System

The Company is committed to maintaining and improving its robust risk management system, which is essential for corporate governance and its commitment in ESG. The Company advocates a holistic and systematic risk management methodology, embodied by series of guiding policies, a well-defined organisation structure, effective technical tool supports and some control procedures, which work together towards the sustainable business development and the achievement of strategic purposes.

(i) The Policy of H&H Risk Management Framework

With reference to COSO Enterprise Management Framework and ISO 31000, the Company set up a tailor-made H&H Risk Management Framework (the "**Framework**") which defined clearly the roles and responsibilities, the risk management process, risk communication channels, trainings and other principles in risk management. In November of 2023, the Company updated the framework to echo latest risk management requirements, including but not limited to

– Adding Group Risk & Control Matrix ("**RCM**") Platform as a way to report day-to-day risk information;

– Updating the process for risk assessments; and

– Incorporating 'Climate-Related Risks' to the Risk Management Framework out of governance requirements.

(ii) Risk Management Organisation and Accountability

Pursuant to COSO's classic Three Line Theory, the Company developed its own risk management organisation structure which details clear roles and responsibilities for each party involving in risk management by the Framework:

– Governance Body – The Board and its Committees

To provide leadership and oversee the Company's implementation of risk management and internal control systems on an ongoing basis.

– First Line – Business and Functional Units

To act as risk owners, who shall be responsible for risk management works within their duties, including implementing risk mitigation actions and controls, and communicating significant risk information with the Company's Risk Management function.

– Second Line – Functional Units

To support the risk owners in implementing the risk management framework, and oversee risk information management.

– Third Line – Internal Audit & Risk Management Function ("**IARM**")
To conduct independent and objective assurance on the effectiveness of risk management activities, and directly report to the Board and its Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Risk Management (continued)

2. Risk Management Process

The risk management is incorporated into daily operations of all parties within the Company. In addition, the Company has established a proactive risk identification and management mechanism to timely and appropriately identify, assess and deal with significant risks.

– Periodic Enterprise Risk Assessments

The Company performs risk assessment at the end of each year. Series of risk workshops and interviews are held with middle and top managements to collect their opinions on risks. Identified key risks are assessed based on the predefined qualitative and quantitative criteria. The risk analysis results with prioritised top risks, risk mitigation proposal and risk appetite, are then reported to the Company's Senior Management and Audit Committee of the Board for their reference in strategic decision.

The trends of top risks are also tracked by the Risk team. In the middle of the year, the team re-visits those top risks and an updated assessment result is presented to Senior Management and Audit Committee for their oversight.

– Group Crisis Management Policy

In 2023, the Company continued refining its risk management system. We improved former Group Incident Management Policy to Group Crisis Management Policy, in order to better reflect Group's methodology in crisis and incident management.

This policy

– emphasized the principle of "Regional Leadership" in incident responses, authorizing Regional Management to take the lead in handling incidents. Each Region shall set up their incident handling mechanism that complies with local laws and regulations;

– updated the standard of Critical Crises to include 12 typical severe situations related to people, product, reputation and operations, which the Regional Management should immediately report to the senior management for their early visibility or necessary involvement; and

– highlighted a principle of always putting People first when we coping with crises.

– Risk Management & Internal Control Quarterly Bulletin

Apart from policies and initiatives, in 2023, the Company set up a routine avenue of quarterly bulletins, specialized in promoting knowledge on risk management and internal controls among all levels of team members. In the bulletins, the Company has systematically introduced updates on Risk & Control Matrix, Risk Management Framework and the newly established Group's Internal Control Manual, etc.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Risk Management (continued)

2. Risk Management Process (continued)

Internal Control Systems

1. H&H's Internal Control System and the guiding Group Internal Control Manual

   The Company has set up an integrated system of internal control ("**IC**") consisting of policies and procedures, the mechanism of communication and supervision, as well as performance auditing. In October of 2023, the Company has set up the Group Internal Control Manual ("**the Manual**"). This Manual is intended to provide all team members with a comprehensive understanding of the Group's ideology on internal control, including but not limited to a description of H&H's control environment, key internal control methods, internal control principles applied to Group activities, and the periodic internal control self-evaluation.

2. Communication and Oversight

   The management of the Company meets frequently to actively evaluate and review internal control deficiency(s) to which the Company is exposed and reports to the Board. The Company also appoints external consultants, when appropriate, to review her internal control and financial reporting processes.

3. Internal Control Audits

   IARM is authorised to perform internal audits without any restrictions or interference, and can directly communicate any significant IC issues with the Board and Audit Committee.

   In 2023, IARM team has been initiating IC reviews for selected Group functions and our European region. The control review will be recurring audits over all operating regions of the Company. IARM also performs independent audits for various expenses or processes on a quarterly basis.

3. Business Ethics and Integrity

The Company advocates ethics, integrity and trust at the workplace and in our business relationships and firmly combats fraud or corruption, We have set up the policies of 'Group Anti-Fraud Policy' and 'Whistle-blower Protection Policy' in place, explicitly conveying our consistent zero tolerance approach towards any type of fraud or corruption.

1. *The Annual Compliance Training:*

   By the end of 2023, 100% of all team members of the Company have finished this Annual Compliance Training Program. The program covers a wide range of compliance topics, including Codes of Conduct, finance and expense compliance, anti-monopoly, information security, inside information and securities dealing, antifraud, conflict of interest management and ESG. It is an annual mandatory training program refreshing all employees with latest compliance requirements, etc.

2. *Whistle-blowing and Anti-fraud Management:*

   Our whistle-blower reporting platform 'HH Speak Up' has been functioning well since 2019. For 2023, 32 cases were reported to IARM, and 23 employees were dismissed or disciplined due to their violation of the Company's policies. We also sought the support from our external consultants for 5 cases, which significantly facilitated the fraud investigation.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Review of Risk and Control Management Effectiveness

The Audit Committee reviews and discussed risk and control managements in committee meetings half yearly, covering risk assessment results and the progresses, IA's work and effectiveness and anti-fraud practices. The Audit Committee also reviews the resource, qualification and experience of IARM, to ensure that the budget be adequate for the Company's reviews and oversights.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2023, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

In 2018, the Company developed a policy on inside information disclosure and share dealing which provides a more stringent guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and share dealing. These control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through AGMs and other general meetings. At the AGMs, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Board has adopted a shareholders' communication policy to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

Voting at general meetings of the Company is conducted by way of poll in accordance with Article 66 of the Articles of Association. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (CONTINUED)

During the year ended 31 December 2023, the Company attended 14 investors' conferences and roadshows and approximately 500 individual and group meetings with analysts, institutional investors and fund managers. The investors' conferences and roadshows attended by the Company during the twelve months ended 31 December 2023 are summarized as follows:

Date	Event	Organizer	Location
Jan-23	Morgan Stanley Virtual China Opportunity Conference	Morgan Stanley	Virtual
Jan-23	Citi China Consumer Corporate Day	Citi	Virtual
Jan-23	UBS Greater China Conference	UBS	Virtual
Mar-23	Post Annual Results Non-deal Roadshow	Citi/CLSA	Hong Kong
Mar-23	Post Annual Results Non-deal Roadshow	Morgan Stanley	Singapore
Mar-23	Post Annual Results Non-deal Roadshow	Goldman Sachs	London
May-23	Morgan Stanley China Summit	Morgan Stanley	Hong Kong
Jun-23	Goldman Sachs Greater China Consumer & Leisure Corporate Day	Goldman Sachs	Virtual
Jun-23	UBS Asian Consumer, Gaming & Leisure Conference	UBS	Virtual
Aug-23	Post Interim Results Non-deal Roadshow	Citi/CLSA	Hong Kong
Sep-23	CLSA Investors' Forum	CLSA	Hong Kong
Sep-23	Goldman Sachs China^{+} Conference	Goldman Sachs	Hong Kong
Oct-23	Bank of America Merrill Lynch Asian Credit Conference	BofA	Hong Kong
Nov-23	Citi China Investor Conference	Citi	Macau

The last shareholders' meeting was the AGM held on 12 May 2023 at Suites 4007-09, 40/F, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong for approval of, among other items, the general mandates to issue and repurchase shares of the Company, the re-election of retiring Directors and the adoption of the amended and restated articles of association. Particulars of the major items considered at the AGM are set out in the circular dated 3 April 2023. All the proposed ordinary resolutions and special resolution were passed by way of poll at the AGM.

The 2024 AGM will be held on 10 May 2024. The notice of AGM will be sent to shareholders not less than twenty-one (21) clear days.

To promote effective communication, the Company maintains a website at www.hh.global, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted and available for public access. Investors may write directly to the Company or via email to ir@hh.global for any enquiries.

CONSTITUTIONAL DOCUMENT

By a special resolution passed at the AGM held on 12 May 2023, the Company adopted a new set of amended and restated Memorandum Articles of Association to, among other things, comply with the Core Shareholder Protection Standards set out in Appendix A1 to the Listing Rules, reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules and make other housekeeping amendments. For details, please refer to the announcement and circular of the Company dated 3 April 2023 and the new Memorandum and Articles of Association of the Company.

Save as disclosed above, the Company has not made any changes to its Memorandum and Articles of Association. An updated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

DIVIDEND POLICY

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code that has become effective from 1 January 2019. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company do not have any pre-determined dividend payout ratio. The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

SHAREHOLDER RIGHTS

How Shareholders can Convene an Extraordinary General Meeting and Put Forward Proposals at Shareholders' Meetings

Pursuant to Article 58 of the Articles of Association, any one or more Member(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the Secretary of the Company by mail at Suites 4007-09, 40th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place. and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which Enquiries may be Put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary by mail at Suites 4007-09, 40th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong. The company secretary forward communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, enquiries and customer complaints, to the CEO Office of the Company.

SHAREHOLDER RIGHTS (CONTINUED)

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

DIRECTORS' **REPORT**

The Board hereby presents its report and the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company for intermediate holding companies and operating subsidiaries of the Group and is also engaged in acquisitions of businesses from time to time. The Group is principally engaged in the manufacture and sale of premium pediatric nutrition, baby care products, adult nutrition and care products and pet nutrition and care products. Details of the principal activities of the Company's principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2023 are set out in note 1 to the financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2023 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 6 to 10 and pages 11 to 20, respectively, of this Annual Report.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2023 are set out in the consolidated financial statements on pages 91 to 97 of the Annual Report. The Board declared an interim dividend of HKD0.44 per ordinary share in respect of the six months ended 30 June 2023. The Directors recommended the payment of a final dividend of HKD0.18 per ordinary share for the year ended 31 December 2023 to be paid on or about Wednesday, 10 July 2024 to the shareholders whose names appear on the register of members of the Company on Tuesday, 21 May 2024. This recommendation has been incorporated in the financial statements as an allocation of retained profit within the equity section of the statement of financial position.

The final dividend of HKD0.18 per ordinary share is subject to approval by the shareholders in the 2024 AGM. Such dividends will be distributed from the retained profits of the Company. Details of the dividends for the year ended 31 December 2023 are set out in note 10 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the 2024 AGM

The register of members of the Company will be closed from Tuesday, 7 May 2024 to Friday, 10 May 2024, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the entitlement to attend and vote at the 2024 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 May 2024.

(b) Entitlement to the proposed final dividend

The register of members of the Company will be closed from Friday, 17 May 2024 to Tuesday, 21 May 2024, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 May 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year ended 31 December 2023 are set out in note 32 to the financial statements.

RESERVE

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2023 are set out in note 43 and 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves, including the share premium account, contributed surplus and retained profits, available for distribution, calculated in accordance with the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Act**"), amounted to approximately RMB9,060.8 million, of which approximately RMB101.6 million have been proposed as a final dividend for the year. Details of the reserves of the Company as at 31 December 2023 are set out in note 43 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on pages 91 to 97 of this Annual Report. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, sales to the Group's five largest customers accounted for less than 30% of the total revenue for the year. None of the Directors or their close associates or any of the substantial shareholders of the Company had any interest in any of the five largest customers of the Group.

For the year ended 31 December 2023, the largest supplier of the Group is Cooperative Isigny Sainte-Mère ("**ISM**"). ISM is a renowned French dairy company with advanced production technology and world presence, established in Normandy, a region with abundant natural resources (recognized milk source used in Isigny AOP products), in 1932.

Purchases by the Group from the largest supplier accounted for 21.0% of the total purchases of the Group for the year, while the purchases made from the five largest suppliers accounted for 52.9% of the total purchases of the Group for the year. None of the Directors or their associates or any of the shareholders of the Company had any interest in any of the five largest suppliers of the Group.

DIRECTORS

The Directors of the Company during the year ended 31 December 2023 and up to the date of this Annual Report are as follows:

Executive Directors

Mr. Luo Fei
Mr. Wang Yidong

Non-executive Directors

Mrs. Laetitia Albertini *(redesignated as a non-executive Director with effect from 1 January 2023)*
Dr. Zhang Wenhui
Mr. Luo Yun
Mrs. Mingshu Zhao Wiggins *(appointed with effect from 1 January 2024)*

Independent non-executive Directors

Mr. Tan Wee Seng
Mrs. Lok Lau Yin Ching
Professor Ding Yuan *(appointed with effect from 1 January 2023)*

In accordance with Articles 84(1) and 84(2) of the Articles, Mr. Luo Fei, Mr. Wang Yidong and Mrs. Lok Lau Yin Ching shall retire from office by rotation. All of them, being eligible, will offer themselves for re-election at the 2024 AGM.

In accordance with Article 83(3) of the Company's Articles of Association, Mrs. Mingshu Zhao Wiggins was appointed by the Board to fill a casual vacancy.

Mrs. Mingshu Zhao Wiggins obtained legal advice from Morgan Lewis & Bockius, a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 19 December 2023 and Mrs. Mingshu Zhao Wiggins confirmed she understood her obligations as a director of a listed issuer.

DIRECTORS' SERVICE CONTRACTS

All of the Directors have entered into a service contract/appointment letter with the Company, subject to rotation, retirement and re-election at the annual general meeting pursuant to the Articles. Key information of the service contracts are set out below:

Directors	Date of appointment	Last Re-election Date	Expiry date of current service contract/ appointment letter
Executive Directors			
Mr. Luo Fei	17 December 2010	13 May 2022	16 December 2026
Mr. Wang Yidong	26 March 2018	13 May 2021	25 March 2024
Non-executive Directors			
Mrs. Laetitia Albertini	1 January 2023	12 May 2023	31 December 2026
Dr. Zhang Wenhui	25 June 2012	12 May 2023	24 June 2024
Mr. Luo Yun	17 December 2010	12 May 2023	16 December 2026
Mrs. Mingshu Zhao Wiggins	1 January 2024	N/A	31 December 2026
Independent non-executive Directors			
Mr. Tan Wee Seng	17 December 2010	13 May 2022	16 December 2026
Mrs. Lok Lau Yin Ching	24 March 2020	13 May 2022	23 March 2026
Professor Ding Yuan	1 January 2023	12 May 2023	31 December 2026

None of the Directors has a service contract which is not determinable within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISIONS

The Articles of the Company provide that the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty. Such provisions were in force during the year ended 31 December 2023 and remained in force as of the date of this Annual Report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors during the year ended 31 December 2023.

REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 December 2023 are set out in note 8 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 21 to 27 of this Annual Report.

EMPLOYEES AND EMOLUMENT POLICY

The Group's emolument policies are formulated on the performance of individual employees and on the basis of the salary trends in the regions in which the Group operates, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted the Pre-IPO Share Option Scheme, the 2010 Share Option Scheme, the 2020 Share Option Scheme and the 2022 Share Award Scheme (each as defined below) for its employees. As at 31 December 2023, there were two schemes which remained in full force and effect, i.e. the 2020 Share Option Scheme and the 2022 Share Award Scheme.

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

As at 31 December 2023, the Group employed 3,174 employees. Further information please refer to our 2023 ESG report.

None of the Directors waived any emoluments during the year ended 31 December 2023.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with Rule 3.13.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company and their respective close associates in the share capital, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules, are set out below:

Name of Director	Capacity/ Nature of interest	Long/Short position	Shares or underlying shares (under equity derivatives of the Company)	Approximate percentage of interest in the Company *(Note 5)*
Mr. Luo Fei	Beneficial owner	Long position	1,185,196 *(Note 1)*	0.18%
	Beneficial owner	Long position	493,002 *(Note 2)*	0.08%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	Long position	432,000,000 *(Note 3)*	66.92%
Mr. Wang Yidong	Beneficial owner	Long position	402,317 *(Note 1)*	0.06%
	Beneficial owner	Long position	1,080,571 *(Note 2)*	0.17%
	Beneficial owner	Long position	555,692 *(Note 4)*	0.09%
Mrs. Laetitia Albertini	Beneficial owner	Long position	1,225,367 *(Note 1)*	0.19%
	Beneficial owner	Long position	893,027 *(Note 2)*	0.14%
Mr. Luo Yun	Beneficiary of a trust (other than a discretionary interest)	Long position	432,000,000 *(Note 3)*	66.92%
Mr. Tan Wee Seng	Beneficial owner	Long position	96,000 *(Note 1)*	0.01%
	Beneficial owner	Long position	300,000 *(Note 2)*	0.05%
	Beneficial owner	Long position	84,000 *(Note 4)*	0.01%
Mr. Lok Lau Yin Ching	Beneficial owner	Long position	36,000 *(Note 1)*	0.01%
	Beneficial owner	Long position	100,000 *(Note 2)*	0.02%
	Beneficial owner	Long position	84,000 *(Note 4)*	0.01%
Professor Ding Yuan	Beneficial owner	Long position	80,000 *(Note 4)*	0.01%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (CONTINUED)

Note 1: These are directly held ordinary shares of the Company.

Note 2: These are the shares subject to the exercise of the share options granted by the Company under the 2020 Share Option Scheme and the 2010 Share Option Scheme.

Note 3: As at 31 December 2023, Biostime Pharmaceuticals (China) Limited was owned as to 57.25% by Coliving Limited, and therefore, Biostime Pharmaceuticals (China) Limited was deemed to be controlled by Coliving Limited.

Coliving Limited is owned as to 100.00% by Flying Company Limited, and therefore, Coliving Limited is deemed to be controlled by Flying Company Limited.

UBS Trustees (BVI) Limited, the trustee of each of the family trusts set up by Mr. Luo Fei as the settlor ("**Mr. Luo Fei's Family Trust**") and Mr. Luo Yun as the settlor ("**Mr. Luo Yun's Family Trust**"), through its nominee UBS Nominees Limited, holds the entire issued share capital of Flying Company Limited and Sailing Group Limited as the respective trust assets under Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust. Mr. Luo Fei and Mr. Luo Yun are Directors of the Company. The beneficiaries of Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust are Mr. Luo Fei and his family members, and Mr. Luo Yun and his family members, respectively. As from 7 April 2022, Sailing Group Limited no longer held shares in Coliving Limited which is deemed to be interested in the Company's shares held by Biostime Pharmaceuticals (China) Limited. Mr. Luo Yun ceased to be interested in the shares as a founder of the relevant trust, but continued to be interested in the same shares in the capacity of a beneficiary of another trust which is indirectly interested in the relevant shares of the Company.

Note 4: These are awarded shares granted by the Company under the 2022 Share Award Scheme which had not vested as at 31 December 2023.

Note 5: As at 31 December 2023, the total number of the issued shares of the Company was 645,561,354.

Save as disclosed herein, none of the Directors and chief executives of the Company, or any of their spouses, or children under eighteen years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2023.

SHARE OPTION SCHEMES

The Company has adopted two share option schemes, pursuant to which the Company is entitled to grant options after the listing of the Company on the Main Board of the Stock Exchange. The details of the two share option schemes are as follows:

2020 Share Option Scheme

A share option scheme (the "**2020 Share Option Scheme**") of the Company was conditionally approved by the shareholders of the Company at the annual general meeting of the Company held on 8 May 2020. The purpose of the 2020 Share Option Scheme was to provide incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the 2020 Share Option Scheme include the Company's Directors (including independent non-executive Directors), other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholders in the Company's subsidiaries. The remaining life of the 2020 Share Option Scheme is approximately 6 years until 7 May 2030.

The maximum number of shares that may be issued upon exercise of all outstanding share options (the "**Share Options**") granted and yet to be exercised under the 2020 Share Option Scheme and any other schemes of the Group shall not exceed 30% of the total number of shares in issue of the Company from time to time.

The maximum number of shares which may be issued upon exercise of all Share Options to be granted under the 2020 Share Option Scheme and any other schemes of the Group shall not, in aggregate, exceed 10% of the total number of shares in issue of the Company as at the date of the annual general meeting of the Company held on 8 May 2020.

The maximum number of shares issued and to be issued upon exercise of the Share Options granted to any eligible participant in the 2020 Share Option Scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue from time to time. Any further grant of Share Options in excess of this limit is subject to shareholders' approval in a general meeting.

Share Options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their close associates, are subject to approval in advance by the independent non-executive Directors (excluding the independent non-executive Directors who or whose close associates are the grantees of a Share Option). In addition, any grant of Share Options to a substantial shareholder or an independent non-executive Director of the Company, or to any of their close associates, would result in the securities issued and to be issued upon exercise of all Share Options already granted and to be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and (b) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HKD5 million, such further grant of Share Options must be approved by shareholders of the Company (voting by way of a poll).

The offer of a grant of Share Options may be accepted within 28 days from the date of offer, upon payment of a consideration of HKD1 by the grantee. The exercise period of the Share Options granted will be determined by the Board in its absolute discretion, save no Share Option may be exercised more than ten years after it has been granted on the date of acceptance of such Share Option. Subject to such terms and conditions as the Board may determine, there is no minimum period for which a Share Option must be held before it can be exercised.

The exercise price of Share Options is determined by the Board, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the Share Options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

SHARE OPTION SCHEMES (CONTINUED)

2020 Share Option Scheme (continued)

The Share Options under the 2020 Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 5 September 2023, the Board has resolved to grant and granted a total of 1,680,000 Share Options under the 2020 Share Option Scheme to Mr. Camillo Pane, the former chief executive officer of the Company, who ceased to be the chief executive officer of the Company with effect from 17 November 2023. The above grants of Share Options to Mr. Camillo Pane formed part of his remuneration under his service contract entered into with the Company and therefore is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rules 14A.73(6) and 14A.95 of the Listing Rules. The vesting of the Share Options to Mr. Camillo Pane was subject to the satisfaction of certain performance targets regarding (i) financial parameters of the Group (such as the revenue, EBITDA and general financial condition of the Group); and (ii) individual performance indicators relevant to Mr. Camillo Pane's role and responsibilities, and other conditions as the Board at its sole discretion have stipulated and which have been communicated to Mr. Camillo Pane in writing. Following the departure of Mr. Camillo Pane, these options lapsed automatically in accordance with the terms of the Share Option Scheme.

Particulars and movements of Share Options under the 2020 Share Option Scheme during the year ended 31 December 2023 by category of grantees were as follows:

			Number of Share Options					
Category of Grantees	Date of grant (DD/MM/YYYY)	Exercise price per Share (HKD)	Outstanding as at 1 January 2023	Granted during the year ended 31 December 2023	Exercised during the year ended 31 December 2023	Lapsed during the year ended 31 December 2023	Cancelled during the year ended 31 December 2023	Outstanding as at 31 December 2023
Chief executive officer								
Mr. Camillo Pane[1]	05/09/2023	10.05	–	1,680,000	–	(1,680,000)	–	–
Directors								
Mrs. Laetitia Albertini	30/11/2020	31.88	1,219,771	–	–	(705,070)	–	514,701
Mr. Wang Yidong	30/11/2020	31.88	908,113	–	–	(296,446)	–	611,667
Sub-total			2,127,884	1,680,000	–	(2,681,516)	–	1,126,368
Employees and others	30/11/2020	31.88	4,749,423	–	–	(1,775,945)	–	2,973,478
	13/07/2021	31.02	871,855	–	–	(319,910)	–	551,945
Sub-total			5,621,278	–	–	(2,095,855)	–	3,525,423
Total			7,749,162	1,680,000	–	(4,777,371)	–	4,651,791

Note:

(1) Mr. Camillo Pane ceased to be the chief executive officer of the Company with effect from 17 November 2023.

No Share Options granted under 2020 Share Option Scheme were exercised and cancelled during the year ended 31 December 2023.

SHARE OPTION SCHEMES (CONTINUED)

2020 Share Option Scheme (continued)

Particulars of the number of Share Options available for grant under the 2020 Share Option Scheme mandate during the year ended 31 December 2023 are as follows:

	As at 1 January 2023	As at 31 December 2023
Share Options available for grant under the 2020 Share Option Scheme mandate	56,656,324	59,753,695

All 12,729,256 Shares Options granted on 30 November 2020 shall vest in accordance with the timetable below with a 6-year exercise period subject to the satisfaction of vesting conditions in relation to certain performance targets as stipulated under the relevant grant letters (for this purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "**Vesting Date**"):

Vesting Date	Percentage of Share Options to vest
1 April 2022	30% of the total number of Share Options granted
1 April 2023	30% of the total number of Share Options granted
1 April 2024	40% of the total number of Share Options granted

All 1,153,658 Shares Options granted on 13 July 2021 shall vest in accordance with the timetable below with a 6-year exercise period:

Vesting Date	Percentage of Share Options to vest
1 April 2022	30% of the total number of Share Options granted
1 April 2023	30% of the total number of Share Options granted
1 April 2024	40% of the total number of Share Options granted

All 1,680,000 Shares Options granted on 5 September 2023 originally shall vest in accordance with the timetable below with a 6-year exercise period, which is no longer applicable due to the cessation of the chief executive officer of the Company with effect from 17 November 2023 resulting the lapse of these 1,680,000 Shares Options

Vesting Date	Number of Share Options to vest
1 April 2024	420,000
1 April 2025	1,260,000

While the first tranche of Share Options granted to Mr. Camillo Pane on 5 September 2023 was intended to vest in less than 12 months, the Remuneration Committee of the Company wass of the view that such shorter vesting period of for the first tranche of the Share Options wass appropriate, taking into account (i) the entire amount of the Share Options will vest in more than 12 months (i.e. approximately 19 months) while the first tranche of the Share Options constituting 25% of the Share Options granted will only vest after more than 25% of the time of the entire vesting period was passed, and the second tranche of the Share Options would vest in 1 April 2025; (ii) for administrative reasons, the Share Options granted by the Company are generally set to vest in tranches on 1 April each year.

The total number of shares available for issue under the 2020 Share Option Scheme as at 31 December 2023 was 4,651,791, representing approximately 0.72% of the Company's issued share capital as at the date of this Annual Report.

SHARE OPTION SCHEMES (CONTINUED)

Value of Share Options granted during the year ended 31 December 2023 under the 2020 Share Option Scheme

The weighted average fair values of Share Options granted during the year ended 31 December 2023 under the 2020 Share Option Scheme are as follows:

	The year ended 31 December 2023
Chief executive officer[(1)]	HKD3,696,000

Note:

(1) Mr. Camillo Pane has stepped down the chief executive officer of the Company with effect from 17 November 2023.

The values of Share Options granted under the 2020 Share Option Scheme were calculated using the Hull-White model, which is subject to certain fundamental limitations, due to the subjective nature of and uncertainty related to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

In respect of the Share Options granted under the 2020 Share Option Scheme during the year ended 31 December 2023, judgement on parameters made by the Directors in applying the Hull-White model is summarized below:

	Options granted to Directors	**Options granted to other employees**
Dividend yield (%)	–	8.27
Expected volatility (%)	–	48.31
Risk-free interest rate (%)	–	3.66

Details of the valuation for the Share Options granted under the 2020 Share Option Scheme during the year ended 31 December 2023 are set out in note 33 to the financial statements of this Annual Report.

The value of a Share Option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of a Share Option.

SHARE OPTION SCHEMES (CONTINUED)

2010 Share Option Scheme

The Company operates a share option scheme (the "**2010 Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Eligible participants of the 2010 Share Option Scheme include the Company's Directors (including independent non-executive Directors), other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholders in the Company's subsidiaries.

The 2010 Share Option Scheme was terminated with effect from 8 May 2020 upon the adoption of the 2020 Share Option Scheme.

The maximum number of shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2010 Share Option Scheme and any other schemes of the Group shall not exceed 30% of the total number of shares in issue of the Company from time to time.

The maximum number of shares which may be issued upon exercise of all Share Options to be granted under the 2010 Share Option Scheme and any other schemes of the Group shall not, in aggregate, exceed 10% of the total number of shares in issue of the Company as at the date of listing of the Company on the Main Board of the Stock Exchange (the "**Listing Date**").

The maximum number of shares issued and to be issued upon exercise of the Share Options granted to any eligible participant in the 2010 Share Option Scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue from time to time. Any further grant of Share Options in excess of this limit is subject to shareholders' approval in a general meeting.

Share Options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their close associates, are subject to approval in advance by the independent non-executive Directors (excluding the independent non-executive Directors who or whose close associates are the grantees of a Share Option). In addition, any grant of Share Options to a substantial shareholder or an independent non-executive Director of the Company, or to any of their close associates, would result in the securities issued and to be issued upon exercise of all Share Options already granted and to be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: a) representing in aggregate over 0.1% of the relevant class of securities in issue; and b) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HKD5 million, such further grant of Share Options must be approved by shareholders of the Company (voting by way of a poll).

The offer of a grant of Share Options may be accepted within 28 days from the date of offer, upon payment of a consideration of HKD1 by the grantee. The exercise period of the Share Options granted will be determined by the Board in its absolute discretion, save no Share Option may be exercised more than ten years after it has been granted on the date of acceptance of such Share Option. Subject to such terms and conditions as the Board may determine, there is no minimum period for which a Share Option must be held before it can be exercised.

The exercise price of Share Options is determined by the Board, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the Share Options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

SHARE OPTION SCHEMES (CONTINUED)

2010 Share Option Scheme (continued)

The Share Options under the 2010 Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Particulars and movements of Share Options under the 2010 Share Option Scheme during the year ended 31 December 2023 by category of grantees were as follows:

			Number of Share Options					
Category of Grantees	Date of grant (DD/MM/YYYY)	Exercise price per Share (HKD)	Outstanding as at 1 January 2023	Granted during the year ended 31 December 2023	Exercised during the year ended 31 December 2023	Lapsed during the year ended 31 December 2023	Cancelled during the year ended 31 December 2023	Outstanding as at 31 December 2023
Directors								
Mr. Tan Wee Seng	19/04/2017	25.75	150,000	–	–	–	–	150,000
	25/03/2020	26.10	150,000	–	–	–	–	150,000
Mrs. Lok Lau Yin Ching	25/03/2020	26.10	100,000	–	–	–	–	100,000
Mr. Luo Fei	24/08/2017	29.25	493,002	–	–	–	–	493,002
Mrs. Laetitia Albertini	24/08/2017	29.25	378,326	–	–	–	–	378,326
Mr. Wang Yidong	03/05/2016	21.05	90,578	–	–	–	–	90,578
	24/08/2017	29.25	378,326	–	–	–	–	378,326
Sub-total			1,740,232	–	–	–	–	1,740,232
Employees and others	29/12/2015	15.58	810,972	–	–	(100,327)	–	710,645
	30/09/2016	20.92	45,052	–	–	(6,484)	–	38,568
	23/12/2016	23.30	63,368	–	–	(12,475)	–	50,893
	19/04/2017	25.75	292,468	–	–	(43,991)	–	248,477
	07/07/2017	22.15	44,194	–	–	(1,550)	–	42,644
	24/08/2017	29.25	2,785,033	–	–	(272,738)	–	2,512,295
	05/12/2017	47.10	39,662	–	–	(12,619)	–	27,043
	20/04/2018	60.02	116,873	–	–	–	–	116,873
	26/07/2018	59.05	147,060	–	–	–	–	147,060
	28/09/2018	47.27	39,061	–	–	(39,061)	–	–
	29/03/2019	49.15	413,722	–	–	–	–	413,722
	09/07/2019	45.79	81,323	–	–	(22,025)	–	59,298
	25/03/2020	26.10	100,000	–	–	–	–	100,000
Sub-total			4,978,788	–	–	(511,270)	–	4,467,518
Total			6,719,020	–	–	(511,270)	–	6,207,750

No Share Options granted under 2010 Share Option Scheme were exercised and cancelled during the year ended 31 December 2023.

SHARE OPTION SCHEMES (CONTINUED)

2010 Share Option Scheme (continued)

All Share Options granted since the adoption of the 2010 Share Option Scheme have vested in accordance with the respective vesting schedule with a 6-year exercise period.

Save as disclosed above, none of the grantees is a Director, chief executive or substantial shareholder of the Company, or their respective associates (as defined in the Listing Rules).

Since the 2010 Share Option Scheme was terminated with effect from 8 May 2020, the Share Options available for grant under the 2010 Share Option Scheme mandate as at 1 January 2023 and 31 December 2023 were nil and nil, respectively, and the total number of shares available for issue under the 2010 Share Option Scheme as at 31 December 2023 was the same as the number of outstanding Share Options, i.e. 6,207,750, representing approximately 0.96% of the Company's issued share capital as at the date of this Annual Report.

SHARE AWARD SCHEME

The Board adopted a share award scheme (the "**2022 Share Award Scheme**") on 11 January 2022.

The purposes of the 2022 Share Award Scheme are to recognize the contributions by certain employees of the Group, to recognize the contributions by certain eligible participant(s) and to give incentives thereto in order to retain and motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group, by providing them with the opportunity to acquire equity interests in the Company.

The Board may from time to time at its absolute discretion select any Eligible Participant(s), i.e. any bona fide employee of the Company or of any subsidiary, for participation in the 2022 Share Award Scheme as selected participant(s) (the "**Selected Participant**").

Subject to any early termination as may be determined by the Board, the 2022 Share Award Scheme shall be valid and effective for a term of ten years commencing on the adoption date of the same. The remaining life of the 2022 Share Award Scheme is approximately 8 years.

Details of the 2022 Share Award Scheme are set out in the Company's announcement dated 11 January 2022.

Subject to the limit on the size of the 2022 Share Award Scheme as set out below, the Board shall (a) determine a number of awarded shares to be granted pursuant to any award under the 2022 Share Award Scheme, or (b) instruct the trustee to allocate returned shares ("**Returned Shares**"), i.e. awarded shares which are not vested and/or forfeited in accordance with the terms of the 2022 Share Award Scheme, or such Shares being deemed to be Returned Shares in accordance with the terms of the 2022 Share Award Scheme, as awarded shares to any Selected Participant(s).

Awarded shares may be acquired by the trustee by way of (i) allotment and issue of new Shares by the Company pursuant to the relevant general mandate or specific mandate granted to the Board by the shareholders of the Company in general meetings of the Company from time to time; or (ii) purchase of Shares in the open market by the trustee.

Such awarded shares shall then be held by the trustee for the Selected Participants in accordance with the provisions of the 2022 Share Award Scheme prior to vesting. The trustee shall not exercise any voting rights in respect of any Shares held under the trust (including but not limited to awarded shares, Returned Shares, any bonus Shares and scrip Shares).

The Trustee shall hold such Returned Shares and any income deriving from it exclusively for the benefit of all or one or more of the Selected Participants in such manners and under such conditions in accordance with the instructions from the Board.

The Board shall not make any further award which will result in the number of Shares administered under the 2022 Share Award Scheme to exceed in total 10% of the Company's issued share capital as at the adoption date.

Unless approved by the shareholders of the Company in a general meeting, the maximum number of awarded shares which may be subject to an award or awards made to a single Selected Participant at any time shall not in aggregate exceed 1.0% of the issued share capital of the Company as at the adoption date.

There is no minimum vesting period requirement pursuant to the 2022 Share Award Scheme. Awarded shares granted shall vest in the relevant Selected Participants in accordance with the vesting schedule determined by the Board at its sole discretion, and the Selected Participants are not required to pay any amount of money as consideration for the vesting of the awarded shares.

On 5 September 2023, the Board has resolved to grant and granted a total of 920,000 awarded shares under the 2022 Share Awarded Scheme, to Mr. Camillo Pane, the former chief executive officer of the Company, and Professor Ding Yuan, an independent non-executive Director of the Company. The above grants of awarded shares to the back-then chief executive officer and Director form part of their remuneration under their service contract or appointment letter (as the case may be) entered into with the Company and therefore is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rules 14A.73(6) and 14A.95 of the Listing Rules. The vesting of the awarded shares to Mr. Camillo Pane was subject to the satisfaction of certain performance targets regarding (i) financial parameters of the Group (such as the revenue, EBITDA and general financial condition of the Group); and (ii) individual performance indicators relevant to Mr. Camillo Pane's role and responsibilities, and other conditions as the Board at its sole discretion have stipulated and which have been communicated to Mr. Camillo Pane in writing. There are no performance targets attached for awarded shares granted to Professor Ding Yuan to vest according to the vesting schedule. The closing price of the shares of the Company immediately before date of grant was HKD9.91 per share. Following the departure of Mr. Camillo Pane with effect from 17 November 2023, all the abovementioned awards granted to Mr. Camillo Pane lapsed automatically in accordance with the terms of the 2022 Share Award Scheme.

Particulars of Share Awards under the 2022 Share Award Scheme during the year ended 31 December 2023 by category of grantees were as follows:

			Number of Awarded Shares				
Category of Grantees	**Date of grant (DD/MM/YYYY)**	**Outstanding/ unvested (held by the trustee for the grantees) as at 1 January 2023**	**Granted during the year ended 31 December 2023**	**Vested during the year ended 31 December 2023**	**Forfeited/ Lapsed during the year ended 31 December 2023**	**Cancelled during the year ended 31 December 2023**	**Outstanding/ Unvested (held by the trustee for the grantees) as at 31 December 2023**
Chief executive officer							
Mr. Camillo Pane[1]	05/09/2023	–	840,000	–	(840,000)	–	–
Directors							
Mrs. Laetitia Albertini	08/04/2022	566,426	–	(566,426)	–	–	–
Mr. Wang Yidong	08/04/2022	793,845	–	(238,153)	–	–	555,692
Mr. Tan Wee Seng	08/04/2022	120,000	–	(36,000)	–	–	84,000
Mrs. Lok Lau Yin Ching	08/04/2022	120,000	–	(36,000)	–	–	84,000
Prof. Ding Yuan	05/09/2023	–	80,000	–	–	–	80,000
Sub-total		1,600,271	920,000	(876,579)	(840,000)	–	803,692
Employees and others	08/04/2022	2,730,936	–	(844,478)	(240,450)	–	1,646,008
	14/12/2022	259,000	–	–	(259,000)	–	–
Sub-total		2,989,936	–	(844,478)	(499,450)	–	1,646,008
Total		4,590,207	920,000	(1,721,057)[2]	(1,339,450)	–	2,449,700

Notes:

(1) Mr. Camillo Pane has stepped down the chief executive officer of the Company with effect from 17 November 2023.

(2) The weighted average closing price of these shares immediately before the dates on which the relevant Share Awards were vested is HKD13.14.

SHARE AWARD SCHEME (CONTINUED)

Particulars of the number of Share Awards available for grant under the 2022 Share Award Scheme mandate during the year ended 31 December 2023 are as follows:

	As at 1 January 2023	As at 31 December 2023
Share Awards available for grant under the 2022 Share Award Scheme mandate	59,930,898	60,350,348

The awarded shares granted on 8 April 2022 shall vest in accordance with the following schedule:

Vesting Date	Percentage of Share Awards to be vested
1 April 2023	30% of the total number of Share Awards granted
1 April 2024	30% of the total number of Share Awards granted
1 April 2025	40% of the total number of Share Awards granted

The awarded shares granted on 14 December 2022 shall vest in accordance with the following schedule:

Vesting Date	Number of Share Awards to be vested
1 April 2024	111,000
1 April 2025	148,000

The 80,000 awarded shares granted to Professor Ding Yuan on 5 September 2023 shall vest in accordance with the following schedule:

Vesting Date	Number of Share Awards to be vested
1 April 2024	32,000
1 April 2025	48,000

The 840,000 awarded shares granted to Mr. Camillo Pane on 5 September 2023 originally shall vest in accordance with the timetable below with a 6-year exercise period, which is no longer applicable due to the cessation of the chief executive officer of the Company with effect from 17 November 2023 resulting the lapse of these 840,000 awarded shares:

Vesting Date	Number of Share Awards to be vested
1 April 2024	210,000
1 April 2025	630,000

The total number of shares available for issue under the 2022 Share Award Scheme as at 31 December 2023 was 57,808,894, representing approximately 8.95% of the Company's issued share capital as at the date of this Annual Report.

SHARE AWARD SCHEME (CONTINUED)

Value of Share Awards granted during the year ended 31 December 2023 under the 2022 Share Award Scheme

The directors of the Company determine the fair value of the share awards as at the grant date, which is measured at the market price of the entity's shares, adjusted by the present value of the expected dividends per share during the vesting period. The fair values of Share Awards granted during the year ended 31 December 2023 under the 2022 Share Awards Scheme are as follows:

	The year ended 31 December 2023
Chief executive officer[1]	HKD7,389,900
Directors	HKD714,720

Note

(1) Mr. Camillo Pane has stepped down the chief executive officer of the Company with effect from 17 November 2023.

Significant judgement on parameters, such as share price at grant date, and risk-free interest rate, are required to be made by the directors to measure the fair value of the awarded shares during the year ended 31 December 2023 granted under 2022 Share Award Scheme, which are summarized below:

	Year ended 31 December 2023	
	Share Awards vested to Directors	**Share Awards vested to other employees**
Closing price at the grant date (HKD)	9.91	9.91
Risk-free interest rate (%)	4.16	4.16

Details of the valuation for the Share Awards granted under the 2022 Share Award Scheme during the year ended 31 December 2023 are set out in note 34 to the financial statements of this Annual Report.

The value of a Share Awards varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of a Share Awards.

The number of shares that may be issued in respect of options granted under all schemes of the Company during the year ended 31 December 2023 divided by the weighted average number of shares of the relevant class in issue for the year ended 31 December 2023 is nil. The number of shares that may be issued in respect of share awards granted under all schemes of the Company during the year ended 31 December 2023 divided by the weighted average number of shares of the relevant class in issue for the year ended 31 December 2023 is nil.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 31 December 2023, the following persons, other than any Director or the chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests and short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Long/ Short position	Number of shares	Approximate percentage of shareholding *(Note 2)*
Biostime Pharmaceuticals (China) Limited *(Note 1)*	Beneficial owner	Long position	432,000,000	66.92%
Flying Company Limited *(Note 1)*	Interest in a controlled corporation	Long position	432,000,000	66.92%
Coliving Limited *(Note 1)*	Interest in a controlled corporation	Long position	432,000,000	66.92%
UBS Trustees (BVI) Limited *(Note 1)*	Trustee	Long position	432,000,000	66.92%
Templeton Asset Management Ltd.	Investment manager	Long position	32,474,620	5.03%
HSBC Holdings plc	Trustee	Long position	247,302,043	38.31%
	Interest in a controlled corporation	Long position	18,750	0.003%
	Custodian	Long position	4,464,500	0.69%

Note 1: As at 31 December 2023, Biostime Pharmaceuticals (China) Limited was owned as to 57.25% by Coliving Limited, and therefore, Biostime Pharmaceuticals (China) Limited was deemed to be controlled by Coliving Limited.

Coliving Limited is owned as to 100.00% by Flying Company Limited, and therefore, Coliving Limited is deemed to be controlled by Flying Company Limited.

UBS Trustees (BVI) Limited, the trustee of each of the family trusts set up by Mr. Luo Fei as the settlor ("**Mr. Luo Fei's Family Trust**") and Mr. Luo Yun as the settlor ("**Mr. Luo Yun's Family Trust**"), through its nominee UBS Nominees Limited, holds the entire issued share capital of Flying Company Limited and Sailing Group Limited as the respective trust assets under Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust. Mr. Luo Fei and Mr. Luo Yun are Directors of the Company. The beneficiaries of Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust are Mr. Luo Fei and his family members, and Mr. Luo Yun and his family members, respectively. As from 7 April 2022, Sailing Group Limited no longer held shares in Coliving Limited which is deemed to be interested in the Company's shares held by Biostime Pharmaceuticals (China) Limited. Mr. Luo Yun ceased to be interested in the shares as a founder of the relevant trust, but continued to be interested in the same shares in the capacity of a beneficiary of another trust which is indirectly interested in the relevant shares of the Company.

Note 2: As at 31 December 2023, the total number of the issued shares of the Company was 645,561,354.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Save as mentioned above, as at 31 December 2023, the Company had not been notified by any other person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceedings during the year ended 31 December 2023.

LOAN AND GUARANTEE

During the year ended 31 December 2023, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling shareholders of the Company or their respective connected persons.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2023, the Company did not enter into any equity-linked agreement.

MANAGEMENT CONTRACTS

No contract, other than service contracts/appointment letters disclosed above, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2023.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "**Connected Transactions**" below, no transaction, arrangement or contract of significance to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted at the end of the year or at any time during the year, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 3 December 2010 (the "**Prospectus**")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023 and up to the date of the Annual Report, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2023 are set out in Note 39 to the consolidated financial statements, and the transactions as set out therein do not fall under "**Connected Transactions**" or "**Continuing Connected Transactions**" in accordance with Chapter 14A of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

On 28 April 2022, the Company, Biostime Healthy Australia Investment Pty Limited and Health and Happiness (H&H) US International Incorporated (both being wholly-owned subsidiaries of the Company and together with the Company, the "**Borrowers**") entered into an incremental facility request with HSBC, as agent and security agent of the syndicated facilities agreement dated 21 June 2018 (as amended, restated and/or supplemented from time to time) (the "**Facilities Agreement**") pursuant to which the Refinancing Facilities in the aggregate principal amount of US$1,200,000,000 will be made available by the credit parties to the Borrowers in the form of incremental facilities under the Facilities Agreement.

The Borrowers also entered into an amendment and restatement agreement (the "**Amendment and Restatement Agreement**") with the credit parties pursuant to which the Facilities Agreement was amended and restated after the utilization of the Refinancing Facilities and satisfaction of certain conditions (such amended and restated Facilities Agreement being the "**Refinancing Facility Agreement**").

Under the terms of the Refinancing Facility Agreement, in the event that Mr. Luo Fei and his family members (collectively) cease to hold (directly or indirectly) beneficially the largest percentage of the issued voting share capital of the Company, all loan facilities made or to be made under the Refinancing Facility Agreement, will be cancelled and all outstanding principal, together with accrued interest, and all other amounts accrued under the finance documents, shall become immediately due and payable.

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONTRACTUAL ARRANGEMENTS IN RELATION TO MAMA100 E-COMMERCE

Background

The Group had entered into a series of contractual arrangements with Guangzhou Mama100 E-commerce Limited (廣州市媽媽一百電子商務有限公司) ("**Mama100 E-commerce**") and its shareholders in order to conduct e-commerce businesses through Mama100 E-commerce since June 2014. On 31 October 2019, the Group entered into a series of contracts dated 31 October 2019 pursuant to which the Group was enabled to conduct e-commerce business through Mama100 E-commerce (the "**2019 Structure Contracts**", which include an exclusive management and consultancy service agreement, referred to hereinafter as the "**2019 Exclusive Management and Consultancy Service Agreement**") and the agreement dated 31 October 2019 entered into between the Company and Mama100 E-commerce, pursuant to which Mama100 E-commerce will provide e-commerce platform services to the Company and its subsidiaries (the "**2019 Platform Service Agreement**"), which became effective on 13 November 2019.

2022 Structure Contracts

On 28 October 2022, Ms. Kong Qingjuan, the sole registered shareholder of Mama100 E-commerce, entered into an equity interest transfer agreement dated 28 October 2022, pursuant to which Ms. Kong Qingjuan agreed to transfer all her equity interest in Mama100 E-commerce to Ms. Yang Wenyun (the "**Transfer**"). The Transfer was completed on 2 November 2022.

On the same day, the Group entered into the following agreements, which would take effect from the point in time at which the Guangzhou Huangpu AMR approves and issues the notice of approval in relation of the change of the sole shareholder and legal representative of Mama100 E-commerce to Ms. Yang Wenyun):

1. the Termination Agreements with all other parties to the respective 2019 Structure Contracts and the 2019 Platform Service Agreement, pursuant to which the parties thereto agreed that the respective 2019 Structure Contracts and the 2019 Platform Service Agreement shall be terminated; and

2. the 2022 Structure Contracts and the 2022 Platform Service Agreement to continue its control of Mama100 E-commerce after the termination of the 2019 Structure Contracts and the 2019 Platform Service Agreement.

Pursuant to the 2022 Structure Contracts:

(i) the Group is able to exercise control over Mama100 E-commerce;

(ii) the Group has the right to govern the management of Mama100 E-commerce;

(iii) the Group has the right to deal with the assets of Mama100 E-commerce;

(iv) the Group would have the right to acquire the entire equity interest in Mama100 E-commerce (as and when the PRC relevant rules and regulations allow it to do so);

(v) the Company is able to consolidate the financial results of Mama100 E-commerce into the Group's results; and

(vi) Ms. Yang Wenyun does not obtain or receive any financial or commercial benefits from her interest in Mama100 E-commerce under the 2022 Structure Contracts despite holding direct or indirect equity interests in Mama100 E-commerce.

CONTRACTUAL ARRANGEMENTS IN RELATION TO MAMA100 E-COMMERCE (CONTINUED)

Major provisions of the 2022 Structure Contracts

(1) 2022 Exclusive Management and Consultancy Service Agreement

Pursuant to the exclusive management and consultancy service agreement dated 28 October 2022 (the "**2022 Exclusive Management and Consultancy Service Agreement**") entered into between Guangzhou Hapai Information Technology Co., Ltd.* (廣州市合愛信息技術有限公司) ("**Guangzhou Hapai**"), an indirect wholly-owned subsidiary of the Company, and Mama100 E-commerce, Guangzhou Hapai has the exclusive right to provide management and consultancy services to Mama100 E-commerce.

Under the 2022 Exclusive Management and Consultancy Service Agreement, Guangzhou Hapai is entitled to charge Mama100 E-commerce quarterly for service fees at a range of 90% to 100% of the total amount of retained profit of Mama100 E-commerce for the corresponding period in accordance with the volume of the services provided because it is commercially agreed by both parties that the retained profit of Mama100 E-commerce is generated as a result of the management and consultancy services provided by Guangzhou Hapai, including technical service, network support, business consulting and other services, and therefore not less than 90% of the total amount of net profit of Mama100 E-commerce should be paid to Guangzhou Hapai. The reason for leaving a maximum of 10% of the total amount of retained profit in the reserve of Mama100 E-commerce is to meet the general working capital of Mama100 E-commerce for daily operation.

(2) 2022 Equity Interests Pledge Agreement

Pursuant to the equity interests pledge agreement dated 28 October 2022 (the "**2022 Equity Interests Pledge Agreement**") entered into by and between Guangzhou Hapai and Ms. Yang Wenyun, Ms. Yang Wenyun agreed to pledge all of her equity interest in Mama100 E-commerce to Guangzhou Hapai as security for the performance of the obligations under the relevant 2022 Structure Contracts until all such obligations are discharged to the satisfaction of Guangzhou Hapai.

(3) 2022 Exclusive Call Option Agreement

Pursuant to the exclusive call option agreement dated 28 October 2022 (the "**2022 Exclusive Call Option Agreement**") entered into by and among Guangzhou Hapai, Mama100 E-commerce and Ms. Yang Wenyun, Guangzhou Hapai is irrevocably entitled to, as and when permitted by applicable PRC laws and regulations, acquire the entire equity interest in Mama100 E-commerce held by Ms. Yang Wenyun for a consideration in the amount of RMB10,000, or when appraisal is required under PRC law, 1% of the appraisal price or at the lowest price permitted by the then applicable PRC laws and regulations.

CONTRACTUAL ARRANGEMENTS IN RELATION TO MAMA100 E-COMMERCE (CONTINUED)

Major provisions of the 2022 Structure Contracts (continued)

(4) 2022 Business Management Agreement

Pursuant to the business management agreement dated 28 October 2022 (the "**2022 Business Management Agreement**") entered into by and among Guangzhou Hapai, Mama100 E-commerce and Ms. Yang Wenyun, among other things:

(i) Ms. Yang Wenyun will procure Mama100 E-commerce not to enter into any transaction which may materially affect its assets, business operation, human resources, rights and obligations, unless upon prior written consent from Guangzhou Hapai or any third party designated by Guangzhou Hapai;

(ii) Mama100 E-commerce and Ms. Yang Wenyun agree to strictly implement relevant proposals from Guangzhou Hapai from time to time in relation to Mama100 E-commerce's recruitment and dismissal of employee, business management, financial management and so on; and

(iii) Ms. Yang Wenyun agrees to, upon receiving any dividend or any other earnings or income from Mama100 E-commerce as its shareholder, immediately and unconditionally pay or transfer at nil consideration of all such earnings or income to Guangzhou Hapai.

(5) 2022 Power of Attorney and 2022 Undertaking

Pursuant to the 2022 Business Management Agreement, Ms. Yang Wenyun executed a power of attorney dated 28 October 2022 (the "**2022 Power of Attorney**") pursuant to which she irrevocably authorized Guangzhou Hapai to, among other things:

(i) exercise all his/her rights of shareholders and voting rights in Mama100 E-commerce, including but not limited to appointing the executive directors, general manager, chief financial officer and senior management personnel of Mama100 E-commerce; and

(ii) sell, transfer, pledge or otherwise deal in all or any of her equity interest in Mama100 E-commerce.

The executive directors of Guangzhou Hapai is entitled to authorize any person to exercise the rights which Guangzhou Hapai is authorized to exercise under the 2022 Power of Attorney.

CONTRACTUAL ARRANGEMENTS IN RELATION TO MAMA100 E-COMMERCE (CONTINUED)

Major provisions of the 2022 Structure Contracts (continued)

(5) 2022 Power of Attorney and 2022 Undertaking (continued)

In addition, Ms. Yang Wenyun executed the undertaking dated 28 October 2022 (the "**2022 Undertaking**") pursuant to which she irrevocably undertook, among other things, that:

(i) any successor to her shall hold the respective equity interest in Mama100 E-commerce subject to the conditions, requirements and obligations under the 2022 Undertaking and the 2022 Structure Contracts;

(ii) her equity interest in Mama100 E-commerce does not form part of the community property, and his/her decisions in relation to Mama100 E-commerce shall not be affected by her spouse;

(iii) she will neither, directly or indirectly (either on his/her own or through any other individual or legal entity), participate or engage in any business which is or may be in competition with the business of Mama100 E-commerce or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any conflict of interest between herself and Guangzhou Hapai;

(iv) in the event that she receives any asset in relation to the liquidation of Mama100 E-commerce, she agrees to transfer at nil consideration or at the lowest consideration as permitted by the then applicable laws and regulations to Guangzhou Hapai such asset; and

(v) in the event that she receives any amount from Guangzhou Hapai or any third party in relation to the exercise of the call option under the 2022 Exclusive Call Option Agreement, he/she agrees to unconditionally return all such amount to Guangzhou Hapai or any third party designated by Guangzhou Hapai.

The spouse of Ms. Yang Wenyun also executed the spouse undertaking dated 28 October 2022 pursuant to which he irrevocably undertook, among other things, that:

(i) the equity interest in Mama100 E-commerce held by Ms. Yang Wenyun does not form part of the community property; and

(ii) any income arising in relation to such equity interest in Mama100 E-commerce shall be solely owned and disposed by Ms. Yang Wenyun and he will neither claim any rights to such income, nor participate in the management of the business operation of Mama100 E-commerce.

(6) 2022 Trademark License Agreement

Pursuant to the trademark license agreement dated 28 October 2022 (the "**2022 Trademark License Agreement**") entered into between Mama100 Hong Kong and Mama100 E-commerce, Mama100 Hong Kong licenses a registered trademark to Mama100 E-commerce at nil consideration.

CONTRACTUAL ARRANGEMENTS IN RELATION TO MAMA100 E-COMMERCE (CONTINUED)

2022 Platform Service Agreement

In association with the 2022 Structure Contracts, the Group also entered into a new platform service agreement (the "**2022 Platform Service Agreement**") on 28 October 2022 for a term commencing from the date on which the point in time at which the Guangzhou Huangpu Administration for Market Regulation* (廣州市黃埔區市場監督管理局) approves and issues the notice of approval in relation of the change of the sole shareholder and legal representative of Mama100 E-commerce to Ms. Yang Wenyun, i.e. 2 November 2022, until termination

Pursuant to the 2022 Platform Service Agreement entered into by and between the Company and Mama100 E-commerce, Mama100 E-commerce provides the following services to the Company and its subsidiaries:

(i) sales of goods for the Group's general trading and cross-border e-commerce through the internet;

(ii) promotion of the Group's products in general trading and cross-border e-commerce through the internet;

(iii) online-to-offline order delivery services for the Group's retail member stores;

(iv) provision of internet platform for interaction among consumers; and

(v) other platform services requested by the Company.

In consideration of providing the above services, the Company will pay the following service fees to Mama100 E-commerce:

(i) expenses incurred by Mama100 E-commerce in providing sales and promotion services to the Group; and

(ii) 1.3% settlement charge on sales of goods, representing the amount charged by the payment services utilized by Mama100 E-commerce.

CONTRACTUAL ARRANGEMENTS IN RELATION TO MAMA100 E-COMMERCE (CONTINUED)

Information of Mama100 E-commerce

Business

The current business model of Mama100 E-commerce under the 2022 Structure Contracts comprises O2O Business and B2C Business (as defined below). Under the O2O Business model:

- Mama100 E-commerce maintains and operates online platforms through (i) its self-owned website and mobile application, and (ii) online stores established on third parties' platforms including WeChat (微信). These online platforms are primarily utilized for online sales of the Group's products. Mama100 E-commerce itself does not own any of the Group's products, the products are owned by the baby specialty stores through purchases from the distributors of the Group.

- Once a customer places an order of products with any of Mama100 E-commerce's online platforms and makes respective payment to Mama100 E-commerce (mainly through online payment methods such Alipay (支付寶), online bank, etc.), Mama100 E-commerce will notify and refer the customer order to the baby specialty store located nearest to that customer, and such baby specialty store will arrange delivery of the ordered products to the said customer.

- Mama100 E-commerce will then make weekly or daily (depending on the requirement of the respective online platform) settlement with the relevant baby specialty stores by (i) forwarding the respective payments of ordered products it received from the customers to the relevant baby specialty stores (as the relevant product delivered to the customer was originally owned by the relevant baby specialty store, instead of Mama 100 E-commerce), and (ii) at the same time charging such baby specialty stores for service fees in respect of the referral of product orders and online services provided.

(the above business model is referred to as "**O2O Business**")

Mama100 E-commerce also maintained relevant cross-border e-commerce business registration at competent PRC authority, pursuant to which it is allowed to conduct cross border e-commerce businesses in the PRC. Such qualification allows Mama100 E-commerce to conduct its business-to-consumer business ("**B2C Business**") more effectively by enabling Mama100 E-commerce to conduct sales cross border. Under the B2C Business model:

- Similar to the O2O Business model, customers of the Group place orders for the Group's products with any of Mama100 E-commerce's online platforms and make payments for these orders via online payment methods to the relevant member of the Group which will supply the products ordered.

- Mama100 E-commerce will electronically inform the Group of the orders taken from the customers.

- The Group will arrange delivery of the products ordered directly to the customers according to the orders taken through Mama100 E-commerce, either through the Company's subsidiary in the PRC to consumers in the PRC or through the Company's subsidiaries outside of the PRC to consumers in the PRC.

CONTRACTUAL ARRANGEMENTS IN RELATION TO MAMA100 E-COMMERCE (CONTINUED)

Information of Mama100 E-commerce (continued)

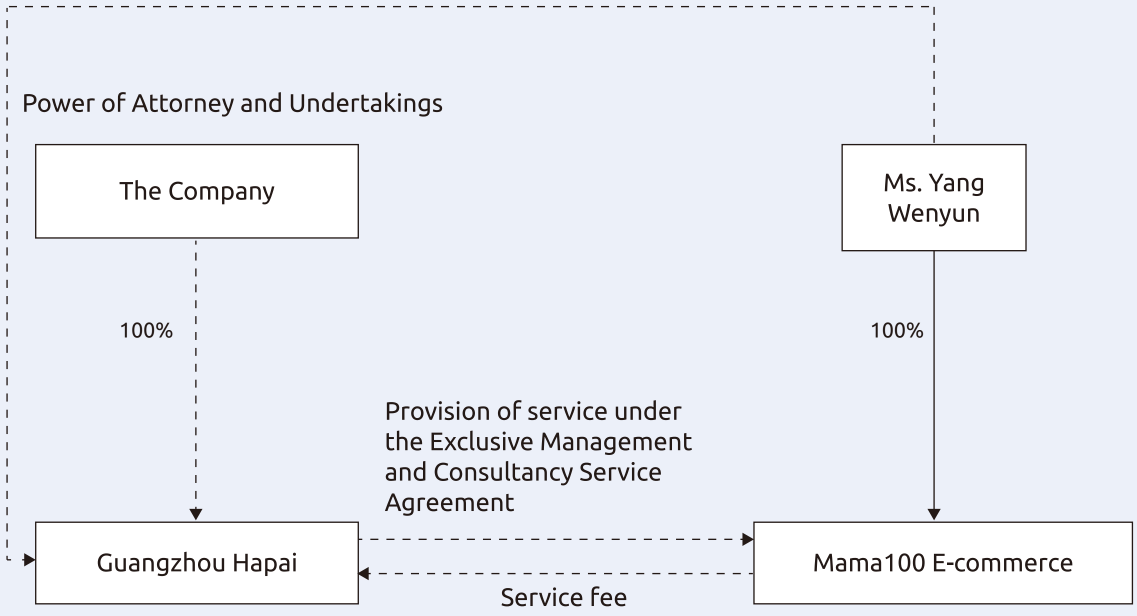
Financial Information

The unaudited key financial information for the year ended 31 December 2023 of Mama100 E-commerce is set out below:

	RMB'000
Total assets as at 31 December 2023	19,287
Revenue for the year ended 31 December 2023	2,044

Corporate Structure

The following chart illustrates the relationship among the Company, Guangzhou Hapai, Mama100 E-commerce and its shareholder in relation to the 2022 Structure Contracts.



CONTRACTUAL ARRANGEMENTS IN RELATION TO MAMA100 E-COMMERCE (CONTINUED)

Reasons for use of the 2022 Structure Contracts and the 2022 Platform Service Agreement

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Edition) (外商投資准入特別管理措施（負面清單）（2021年版）) (the "**Negative List**") and the Catalog of Industries for Encouraging Foreign Investment (2022 Edition) (鼓勵外商投資產業目錄（2022年版）) (the "**Encouraging Catalog**"), which were promulgated and are amended from time to time jointly by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission (中華人民共和國發展與改革委員會). The Negative List and the Encouraging Catalog divide industries into three categories in terms of foreign investment, namely, "**encouraged**", "**restricted**" and "**prohibited**". Industries not listed in the Negative List and the Encouraging Catalog are generally deemed as falling into the fourth category "**permitted**".

Pursuant to the Negative List, provision of value-added telecommunications services falls within the "**restricted**" category. As such, the shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services shall not exceed 50%. Moreover, pursuant to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), which was promulgated by the State Council on 25 September 2000 and last amended with immediate effect on 8 January 2011, a provider of "**operational internet information services**" (namely services involving the provision of information or website-design services through the internet to internet-users for a fee) is required to obtain a value-added telecommunications business operating licence for internet information service (增值電信業務經營許可證) (the "**ICP Licence**") from appropriate telecommunications authorities. In addition, certain qualification requirements under the Provisions on Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the "**FITE Regulation**"), which was promulgated by the State Council on 11 December, 2001, and revised in 10 September 2008, 6 February 2016, and 1 May 2022, would apply to such foreign investors. In practice, the direct foreign ownership in the relevant PRC entities holding an ICP License is still infeasible.

Mama100 E-commerce holds an ICP License for the operation of value-added telecommunication services. Due to foreign ownership restrictions and practical obstacles in the PRC for foreign investors, the Group is not able to hold the equity interest of Mama100 E-commerce directly.

The 2022 Structure Contracts and the 2022 Platform Service Agreement would allow the Group to enhance the sales efficiency of the Group's products by baby specialty stores via the Internet at a low cost and accordingly substantially increase the sales volume of the Group's products to its distributors. Through co-operation with Mama100 E-commerce pursuant to the terms of the 2022 Structure Contracts, the Group is able to explore the e-commerce markets in China and make its distribution network more effective, thus strengthening the Group's market position in the baby, adult and pet nutrition and care products markets. In particular, the Group will continue to maintain financial and operational control of Mama100 E-commerce pursuant to the 2022 Structure Contracts, and the 2022 Platform Service Agreement will enable the Group to continue to enhance the sales efficiency of the Group's products and promotion via the internet.

CONTRACTUAL ARRANGEMENTS IN RELATION TO MAMA100 E-COMMERCE (CONTINUED)

Risks involved in the 2022 Structure Contracts

As the primary beneficiary of Mama100 E-commerce, the Group is exposed to the business risks and financial risks faced by Mama100 E-commerce. There is no assurance that Mama100 E-commerce will generate any profit which can be paid to the Group through the 2022 Exclusive Management and Consultancy Service Agreement and 2022 Business Management Agreement. Any profit or loss of Mama100 E-commerce (net of intra-group transactions) will be reflected in the consolidated financial results of the Group.

The exercise of the Exclusive Call Option Agreement is subject to applicable laws and regulations of the PRC. There is no assurance that the acquisition of the entire equity interests in Mama100 E-commerce held by Ms. Yang Wenyun under the Exclusive Call Option Agreement will be permitted in the future, or whether such acquisition will incur any costs and expenses to the Group in addition to the consideration stipulated under the Exclusive Call Option Agreement. Due to these limitations, the transfer of ownership in Mama100 E-commerce pursuant to the exercise of the call option under the Exclusive Call Option Agreement may still be subject to substantial costs. The Company's PRC Legal Advisor, Jingtian & Gongcheng has further advised that the current PRC Foreign Investment Law and the Implementation Regulations do not define contractual agreements as a form of foreign investment; if future laws, administrative regulations, and regulations of the State Council define contractual agreements as a form of foreign investment, the Structured Contracts as a whole and the agreements constituting the Structured Contracts may not be deemed legally valid, effective and binding on the parties. The Group may need to take relevant measures in accordance with the requirements of the laws, regulations and regulations of the State Council at that time. Failure to take appropriate measures in a timely manner to address any of the compliance requirements in the above provisions may impact the manners in which the Group control Mama100 E-commerce and/or its business. Further, the 2022 Structure Contracts may not provide control over Mama100 E-commerce as effective as direct ownership; the registered shareholders of Mama100 E-commerce may have potential conflicts of interest with the Company; and the 2022 Structure Contracts may be subject to scrutiny of the tax authorities and additional tax may be imposed on the Group.

The Company believes that there are limited business insurance products available in the market, and to the best knowledge of our Directors, no insurance products specifically designed for protecting the risks relating to the 2022 Structure Contracts are available in the PRC market. Further, it is not compulsory for Mama100 E-commerce to maintain an insurance policy to cover risks relating to the 2022 Structure Contracts under the applicable PRC laws and regulations. Accordingly, the Group has not purchased any insurance to cover the above risks.

Internal control

The Company has put in place effective internal controls over Guangzhou Hapai and Mama100 E-commerce to safeguard its assets held through the 2022 Structure Contracts. As a wholly-owned subsidiary of the Company, Guangzhou Hapai is subject to all the internal control process and procedures applicable to the Group.

The operations of Mama100 E-commerce are exclusively controlled by Guangzhou Hapai through the 2022 Structure Contracts and the Group has applied its internal control processes and procedures to Mama100 E-commerce. In particular, pursuant to the 2022 Structure Contracts, (i) Guangzhou Hapai has the right to appoint, and has appointed, the directors, general manager, chief financial officer and other senior management of Mama100 E-commerce and Guangzhou Hapai has the right to hire and terminate employees of Mama100 E-commerce; (ii) the shareholders of Mama100 E-commerce are not allowed to dispose of any assets without the prior written consent of Guangzhou Hapai.

Material Change

Save as disclosed above, there has been no other material change in relation to, termination of or failure to terminate the contractual arrangements in relation to Mama100 E-commerce.

CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises three members, namely, Professor Ding Yuan (Chairman of the Audit Committee), Mr. Luo Yun and Mr. Tan Wee Seng (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee oversees the audit process, internal control and risk management systems of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

The Audit Committee has reviewed the Company's interim results for the six months ended 30 June 2023 and the annual results for the year ended 31 December 2023, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 and the annual report for the year ended 31 December 2023, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, scope of work and the re-appointment of the external auditors, connected transactions and arrangement for employees to raise concerns about possible improprieties. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the Company Code and the Model Code during the year ended 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2023.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as those disclosed in this annual report, no significant events occurred after the end of the reporting period and up to the approval date of the financial statements.

DIRECTORS' **REPORT**

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 28 to 52 of this Annual Report.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by Ernst & Young who shall retire at the 2024 AGM. A resolution will be proposed at the 2024 AGM to re-appoint Ernst & Young as external auditor of the Company.

On behalf of the Board
Luo Fei
Chairman

Hong Kong, 26 March 2024

To the shareholders of Health and Happiness (H&H) International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Health and Happiness (H&H) International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 91 to 207, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets with indefinite lives	
As at 31 December 2023, the Group recorded goodwill and intangible assets with indefinite lives of RMB7,820,522,000 and RMB4,405,359,000 respectively, which represented 39% and 22% of the total assets of the Group, respectively. The Group is required to perform annual impairment testing for goodwill and intangible assets with indefinite lives. Management performed impairment tests on these assets by using the discounted cash flow model as at 31 December 2023. During the year, impairment losses of RMB76,571,000 were recognised in relation to two cash-generating units under adult nutrition and care products segment and other paediatric products segment. This area was important to our audit due to significant judgement and estimates involved in the assessment of the recoverable amounts of these assets. This assessment required management to make assumptions to be used in the discounted cash flow model. The most critical assumptions were growth rates and discount rates. The disclosures about impairment testing of goodwill and intangible assets with indefinite lives are included in note 16 to these financial statements.	The audit procedures we performed, among others, included the following: • involving our valuation specialists to assist us in evaluating the methodologies, discount rates and long-term growth rates used by management, as appropriate, to estimate the recoverable amounts of goodwill and intangible assets; • evaluating the assumptions used by management and assessing the forecasts used with respect to future revenue and operating results by comparing the forecasts with the historic performance of the respective cash-generating units to which the goodwill or the intangible assets with indefinite lives were allocated and their business development plans; • assessing the growth rates in sales by comparing them to the industry trend; • considering the sensitivity in the available headroom for the cash-generating units, evaluating whether reasonably possible changes in assumptions could cause the carrying amounts to exceed the recoverable amounts; and • considering the adequacy of the relevant disclosures in the Group's financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Hedge accounting	
The Group has entered into a series of cross currency swaps and cross currency interest rate swaps to hedge the Group's exposure to interest rate and foreign currency risks relating to its bank borrowings denominated in United States dollars or to hedge the Company's exposure to foreign currency risks relating to the investments in foreign operations. For accounting purposes, the Group has applied cash flow hedges or hedges of net investments. In order to apply these hedges, the Group had to comply with a number of requirements in IFRSs, including: • Designating and documenting both the hedging relationship and the Group's management objective and strategy for undertaking the hedge at the inception of the hedge; • Performing prospective hedge effectiveness testing; and • Recording any resulting effectiveness in other comprehensive income and ineffectiveness in profit or loss. The accounting standards governing the criteria and application of hedge accounting are complex, and require significant judgement in their applications. The disclosures about hedge accounting are included in note 28 to these financial statements.	The audit procedures we performed, among others, included the following: • involving our valuation specialists to assist us in assessing the fair value of the aforesaid swaps; • evaluating the Group's hedging policies in respect of its interest rate and foreign currency risk exposures; • evaluating the hedge documentation prepared by management and assessing the hedge effectiveness tests prepared by management with the help of our valuation specialists on the inputs and methodology used by management in the tests; and • considering the adequacy of the disclosures relating to the hedging relationship in these financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of inventories	
As at 31 December 2023, the carrying amount of inventories was RMB2,374,801,000, after netting of the provision for impairment of RMB321,099,000. The provision for impairment mainly related to certain obsolete and slow-moving inventories. Significant management judgement was required in assessing whether there would be obsolete and slow-moving inventories at the year end. The specific factors considered by management in the estimation of the provision included types of inventories, conditions of the inventories, expiration dates of inventories, and the forecasted inventory usage and sales. The disclosures about the provision for impairment of inventories are included in notes 2.4 and 3 to these financial statements.	The audit procedures we performed, among others, included the following: • obtaining an understanding of management's process about how to identify the obsolete and slow-moving inventories and calculate the provision; • evaluating management's assumptions used to calculate the provision amount for obsolete and slow-moving inventories by checking the ageing of inventories and the subsequent usage and sales of inventories on a sampling basis; • testing samples of inventory items held by the Group to assess their costs and net realisable values; and • attending and observing management's inventory counts at major locations to assess the conditions of inventories.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Mee Kwan, Helena.

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

26 March 2024

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

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**13,926,470**	12,775,914
Cost of sales		**(5,632,214)**	(5,072,426)
Gross profit		**8,294,256**	7,703,488
Other income and gains	5	**214,557**	219,818
Selling and distribution expenses		**(5,599,680)**	(5,235,233)
Administrative expenses		**(848,453)**	(727,683)
Other expenses		**(336,404)**	(382,167)
Finance costs	6	**(773,489)**	(525,659)
Share of losses of associates	19	**(17,185)**	(21,633)
PROFIT BEFORE TAX	7	**933,602**	1,030,931
Income tax expense	9	**(351,757)**	(419,148)
PROFIT FOR THE YEAR		**581,845**	611,783
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		**(80,489)**	324,640
Reclassification adjustments for gains/(losses) included in profit or loss		**425**	(258,594)
Income tax effect		**27,393**	(5,475)
		(52,671)	60,571
Hedges of net investments:			
Effective portion of changes in fair value of hedging instruments arising during the year		**41,345**	62,220
Exchange differences on translation of foreign operations		**15,146**	(29,788)
Exchange differences on net investments in foreign operations		**71,996**	(74,746)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**75,816**	18,257
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		**(25,897)**	(38,307)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**49,919**	(20,050)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**631,764**	591,733
Profit attributable to owners of the parent		**581,845**	611,783
Total comprehensive income attributable to owners of the parent		**631,764**	591,733
		RMB	RMB
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**0.91**	0.96
Diluted		**0.90**	0.95

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**369,545**	388,382
Right-of-use assets	13(a)	**141,202**	142,720
Goodwill	14	**7,820,522**	7,684,093
Intangible assets	15	**5,582,409**	5,639,307
Bonds receivable	17	**–**	74,229
Deposits	18	**28,903**	61,842
Investment in associates	19	**134,950**	152,135
Deferred tax assets	31	**580,624**	637,800
Derivative financial instruments	28	**48,057**	128,081
Other non-current financial assets	20	**202,358**	195,017
Total non-current assets		**14,908,570**	15,103,606
CURRENT ASSETS			
Inventories	21	**2,374,801**	2,587,701
Trade and bills receivables	22	**1,060,254**	769,051
Prepayments, other receivables and other assets	23	**247,113**	179,304
Bonds receivable	17	**78,592**	–
Derivative financial instruments	28	**927**	8,936
Pledged deposits	24	**7,430**	10,767
Cash and cash equivalents	24	**1,364,283**	2,303,660
Total current assets		**5,133,400**	5,859,419
CURRENT LIABILITIES			
Trade payables	25	**1,040,677**	1,340,970
Other payables and accruals	26	**2,216,061**	2,199,256
Contract liabilities	27	**200,461**	266,613
Derivative financial instruments	28	**103,924**	–
Interest-bearing bank loans	29	**4,289,907**	967,242
Lease liabilities	13(b)	**37,415**	21,960
Senior notes	30	**432,237**	19,411
Tax payable		**120,507**	319,431
Total current liabilities		**8,441,189**	5,134,883
NET CURRENT (LIABILITIES)/ASSETS		**(3,307,789)**	724,536

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NET CURRENT (LIABILITIES)/ASSETS		**(3,307,789)**	724,536
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,600,781**	15,828,142
NON-CURRENT LIABILITIES			
Senior notes	30	**1,228,363**	1,886,148
Interest-bearing bank loans	29	**3,164,988**	6,695,491
Lease liabilities	13(b)	**69,643**	79,183
Other payables and accruals	26	**6,119**	5,287
Derivative financial instruments	28	**50,646**	183,749
Deferred tax liabilities	31	**785,798**	836,431
Total non-current liabilities		**5,305,557**	9,686,289
Net assets		**6,295,224**	6,141,853
EQUITY			
Issued capital	32	**5,519**	5,519
Other reserves	35	**6,188,111**	5,915,617
Proposed dividend	10	**101,594**	220,717
Total equity		**6,295,224**	6,141,853

Luo Fei
Director

Wang Yidong
Director

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2023

	Notes	Issued capital RMB'000	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000	Cash flow hedge reserve RMB'000	Fair value reserve of financial assets through other comprehensive income RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total equity RMB'000
At 1 January 2023		5,519	694,991	(61,777)	26,992	95	382,665	101,484	20,231	(518,217)	(1,217,025)	54,671	(42,001)	6,473,508	220,717	6,141,853
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	581,845	-	581,845
Other comprehensive income/(loss) for the year:																
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	-	-	(25,897)	-	-	(25,897)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	-	(52,671)	-	-	-	(52,671)
Hedges of net investments		-	-	-	-	-	-	-	-	41,345	-	-	-	-	-	41,345
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	15,146	-	-	-	-	-	15,146
Exchange differences on net investments in foreign operations		-	-	-	-	-	-	-	-	71,996	-	-	-	-	-	71,996
Total comprehensive income/(loss) for the year		-	-	-	-	-	-	-	-	128,487	-	(52,671)	(25,897)	581,845	-	631,764
Equity-settled share option arrangements	33	-	-	-	-	-	-	(17,359)	-	-	-	-	-	-	-	(17,359)
Equity-settled share award arrangements	34	-	-	16,474	-	-	-	-	(4,023)	-	-	-	-	1,120	-	13,571
Transfer of share option reserve upon the forfeiture or expiry of share options	33	-	-	-	-	-	-	(5,620)	-	-	-	-	-	5,620	-	-
Final 2022 and interim 2023 dividend declared		-	-	-	-	-	-	-	-	-	-	-	-	(253,888)	(220,717)	(474,605)
Proposed final 2023 dividend	10	-	-	-	-	-	-	-	-	-	-	-	-	(101,594)	101,594	-
At 31 December 2023		5,519	694,991*	(45,303)*	26,992*	95*	382,665*	78,505*	16,208*	(389,730)*	(1,217,025)*	2,000*	(67,898)*	6,706,611*	101,594	6,295,224

* These reserve accounts comprise the consolidated other reserves of RMB6,188,111,000 (2022: RMB5,915,617,000) in the consolidated statement of financial position as at 31 December 2023.

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2023

	Notes	Issued capital RMB'000	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000	Cash flow hedge reserve RMB'000	Fair value reserve of financial assets through other comprehensive income RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total equity RMB'000
At 1 January 2022		5,516	688,995	(1)	26,992	95	382,665	192,751	–	(475,903)	(1,217,025)	(5,900)	(3,694)	6,202,890	87,805	5,885,186
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	–	611,783	–	611,783
Other comprehensive income/(loss) for the year:																
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	–	–	–	–	(38,307)	–	–	(38,307)
Cash flow hedges, net of tax		–	–	–	–	–	–	–	–	–	–	60,571	–	–	–	60,571
Hedges of net investments		–	–	–	–	–	–	–	–	62,220	–	–	–	–	–	62,220
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	(29,788)	–	–	–	–	–	(29,788)
Exchange differences on net investments in foreign operations		–	–	–	–	–	–	–	–	(74,746)	–	–	–	–	–	(74,746)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	–	(42,314)	–	60,571	(38,307)	611,783	–	591,733
Shares issued for the equity-settled share option arrangements		3	5,996	–	–	–	–	(1,124)	–	–	–	–	–	–	–	4,875
Equity-settled share option arrangements	33	–	–	–	–	–	–	(64,773)	–	–	–	–	–	–	–	(64,773)
Equity-settled share award arrangements	34	–	–	–	–	–	–	–	20,231	–	–	–	–	–	–	20,231
Transfer of share option reserve upon the forfeiture or expiry of share options	33	–	–	–	–	–	–	(25,370)	–	–	–	–	–	25,370	–	–
Shares purchased for the 2022 Share Award Scheme (as defined in note 34)	34	–	–	(61,776)	–	–	–	–	–	–	–	–	–	–	–	(61,776)
Final 2021 and interim 2022 dividend declared		–	–	–	–	–	–	–	–	–	–	–	–	(145,818)	(87,805)	(233,623)
Proposed final 2022 dividend	10	–	–	–	–	–	–	–	–	–	–	–	–	(220,717)	220,717	–
At 31 December 2022		5,519	694,991*	(61,777)*	26,992*	95*	382,665*	101,484*	20,231*	(518,217)*	(1,217,025)*	54,671*	(42,001)*	6,473,508*	220,717	6,141,853

CONSOLIDATED **STATEMENT OF CASH FLOWS**

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**933,602**	1,030,931
Adjustments for:			
Bank interest income	5	**(22,676)**	(16,879)
Interest income from loans and bonds receivables	5	**(1,736)**	(3,140)
Finance costs	6	**773,489**	525,659
Net gains on partial repurchase of the senior notes	5	**(20,803)**	(25,204)
Share of losses of associates	19	**17,185**	21,633
Depreciation of property, plant and equipment	7	**69,713**	72,431
Depreciation of right-of-use assets	7	**36,500**	38,576
Amortisation of intangible assets	7	**196,040**	200,276
Loss on disposal of items of property, plant and equipment and intangible assets	7	**2,677**	8,071
Gain on disposal of a leasehold land	7	**–**	(3,399)
Gains on revision of lease term or early termination of leases	7	**(29)**	(3,175)
(Reversal of Impairment)/impairment of property, plant and equipment	7	**(1,273)**	3,041
Impairment of goodwill	7	**55,671**	109,062
Impairment of intangible assets	7	**41,660**	25,413
Impairment of trade receivables	7	**3,076**	15,666
(Reversal of Impairment)/impairment of other receivables	7	**(7,083)**	13,213
Write-down of inventories to net realisable value	7	**313,243**	249,229
Reversal of equity-settled share option expense	7	**(17,359)**	(64,773)
Equity-settled share award expense	7	**13,571**	20,231
Fair value gains on derivative financial instruments, net	7	**(24,930)**	(23,596)
Fair value (gains)/losses on other non-current financial assets	7	**(28,174)**	26,443
Foreign exchange losses/(gains), net	7	**4,771**	(76,669)
		2,337,135	2,143,040
Increase in inventories		**(72,194)**	(706,744)
Increase in trade and bills receivables		**(270,672)**	(33,371)
Decrease in prepayments, other receivables and other assets		**17,179**	88,394
(Increase)/decrease in rental deposits		**(503)**	3,148
Decrease/(increase) in restricted deposits		**3,337**	(10,767)
(Decrease)/increase in trade payables		**(299,828)**	430,108
(Decrease)/increase in other payables and accruals		**(2,331)**	29,679
Decrease in contract liabilities		**(59,133)**	(1,567)
Cash generated from operations		**1,652,990**	1,941,920
Corporate income tax paid		**(556,171)**	(472,607)
Net cash flows from operating activities		**1,096,819**	1,469,313

CONSOLIDATED **STATEMENT OF CASH FLOWS**

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Net cash flows from operating activities		**1,096,819**	1,469,313
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(58,067)**	(44,890)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**7,641**	2,672
Proceed from disposal of a leasehold land		**–**	9,398
Additions to intangible assets		**(32,908)**	(51,361)
Addition to other non-current financial assets		**–**	(3,438)
Addition to right-of-use assets		**–**	(6,242)
Acquisition of an associate		**–**	(20,143)
Patrial disposal of other non-current financial assets		**1,376**	–
Decrease/(increase) in time deposits with original maturity of three months or more when acquired	24	**6,000**	(6,000)
Interest received		**23,887**	15,128
Net cash flows used in investing activities		**(52,071)**	(104,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes	30	**407,985**	–
New bank loans		**610,000**	–
Payment of transaction costs for issue of senior notes	30	**(37,290)**	–
Payment of transaction costs for exchange of senior notes		**(60,340)**	–
Exercise of share options	32	**–**	4,875
Repayment of bank loans		**(1,092,607)**	(383,651)
Payment of transaction costs for refinancing loans		**–**	(146,667)
Payment for partial repurchase of the senior notes	30	**(599,642)**	(183,209)
Payment of lease liabilities	13(b)	**(36,315)**	(40,976)
Interest paid		**(750,046)**	(474,630)
Proceeds from/(payment for) certain CCSs (as defined in note 28)		**38,177**	(17,761)
Proceeds from the termination of certain CCSs		**–**	47,617
Dividends paid		**(474,529)**	(233,623)
Purchase of shares for the 2022 Share Award Scheme	34	**–**	(61,776)
Net cash flows used in financing activities		**(1,994,607)**	(1,489,801)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(949,859)**	(125,364)
Cash and cash equivalents at beginning of year		**2,297,660**	2,400,070
Effect of foreign exchange rate changes, net		**16,482**	22,954
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,364,283**	2,297,660
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**1,364,283**	2,297,660

1. CORPORATE AND GROUP INFORMATION

Health and Happiness (H&H) International Holdings Limited (the "**Company**") is incorporated as an exempted company with limited liability in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (the "**Group**") are principally engaged in the manufacture and sale of premium paediatric nutrition, baby care products, adult nutrition and care products and pet nutrition and care products.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Biostime Pharmaceuticals (China) Limited, a limited liability company incorporated in the British Virgin Islands.

Information about subsidiaries

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Health and Happiness (H&H) China Limited ("**H&H China**")*#ö	The People's Republic of China ("**PRC**")/ Mainland China	USD73,010,000	100%	–	Research, development, processing of meat, fruit and vegetable powder and candy, sale of nutritional food, milk formulas and personal care products for infants and adults
Biostime (Guangzhou) Health Products Limited ("**Biostime Health**")*#ö	PRC/Mainland China	USD34,100,000	100%	–	Research, development, manufacture and sale of health products and special nutritional foods
Dodie Baby Products Inc. (Guangzhou)*	PRC/Mainland China	USD1,000,000	100%	–	Wholesale, retail and import and export of personal care products for infants
Biostime (Changsha) Nutrition Foods Limited ("**Biostime Changsha**")#	PRC/Mainland China	RMB301,664,588	–	100%	Manufacture of infant formula products
Guangzhou Hapai Information Technology Co., Ltd. ("**Guangzhou Hapai**")*	PRC/Mainland China	USD10,000,000	–	100%	Provision of software and information technology services

31 December 2023

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Mama100 E-commerce Co., Limited ("**Mama100 E-commence**")**	PRC/Mainland China	RMB2,000,000	–	100%	Online sales, provision of software and information technology services
New H2 Limited	Hong Kong	HKD1	–	100%	International investment
Health and Happiness (H&H) Hong Kong Limited ("**H&H HK**")#	Hong Kong	HKD3,240,571,943 USD460,000,000	–	100%	Investment holding, international investment, and trading
Health and Happiness France	France	EUR15,872,414	–	100%	Research of baby products, and marketing and distribution of organic baby food
Farmland Dairy Pty Ltd. ("**Farmland**")	Australia	AUD13,684,817	–	100%	Manufacture and distribution of infant formulas
Health and Happiness (H&H) Singapore PTE. Limited	Singapore	SGD100	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) (Thailand) Co., Ltd	Thailand	THB100,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Trading India Private Limited	India	INR200,100,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults

31 December 2023

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Health and Happiness (H&H) Italy S.R.L	Italy	EUR10,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) UK Limited#	United Kingdom	GBP4,646,559	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) LLC (formerly known as "Health and Happiness (H&H) Inc")	America	USD18,024,784	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Hainan Nutrition Products Limited*	PRC/Mainland China	RMB1,500,000	–	100%	Trading and sale of pet food
Health and Happiness (H&H) Malaysia sdn. bhd.	Malaysia	MYR1,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Solid Gold Pet, LLC ("**Solid Gold**")	America	USD100,000	–	100%	Trading and sale of pet food
Zesty Paws, LLC ("**Zesty Paws**")ö#	America	USD20,498,861	–	100%	Trading and sale of nutritional supplements for pets
Biostime Pharma	France	EUR13,206,000	100%	–	Research and development of nutritional products

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Swisse Wellness Pty Ltd.#ö	Australia	AUD100	–	100%	Research, development, procurement and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse Wellness Pty Limited# (Formerly Known as Swisse Wellness Pty Ltd.)	New Zealand	NZD10,100	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse China Limited#ö	Hong Kong	HKD1	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse Wellness (Guangzhou) Limited*	PRC/Mainland China	RMB1,500,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
S W Translink Packaging Pty Ltd.	Australia	AUD1	–	100%	Packaging service
PT Health and Happiness Indonesia	Indonesia	IDR10,001,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Taiwan Limited	PRC/Taiwan	TWD500,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults

31 December 2023

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Health and Happiness (H&H) Vietnam Company Limited	Vietnam	USD250,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
H&H Group DMCC	United Arab Emirates	AED50,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Research Limited	Ireland	EUR1	–	100%	Research and development of nutritional products

* Registered as a wholly-foreign-owned enterprise under the laws of the PRC.

** As a result of the contractual arrangements, the Group is exposed, or has rights, to variable returns from its involvement with Mama100 E-commerce and has the ability to affect those returns through its power over Mama100 E-commerce. Therefore, the Group considers that it controls Mama100 E-commerce.

These subsidiaries have guaranteed the senior notes or/and interest-bearing loans of the Group.

ö Shares of these subsidiaries are pledged for the Group's interest-bearing bank loans.

The currency abbreviations shown in the list above stand for the following currencies:

USD stands for United States dollars;
RMB stands for Renminbi;
HKD stands for Hong Kong dollars;
EUR stands for Euro;
AUD stands for Australian dollars;
NZD stands for New Zealand dollars;
SGD stands for Singapore dollars;
GBP stands for Great British pounds;
THB stands for Thai baht;
TWD stands for New Taiwan dollars;
IDR stands for Indonesia rupiah;
MYR stands for Malaysian ringgit;
INR stands for Indian rupee; and
AED stands for United Arab Emirates dirham.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally have operation activities. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which include International Accounting Standards ("**IASs**") and Interpretations promulgated by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments and other non-current financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2023, the Group recorded net current liabilities of RMB3,307.8 million, which was mainly resulted from certain portion of interest-bearing bank loans and senior notes, amounted to RMB4,722.1 million in total, which will be due for repayment in the coming 12 months ("**Borrowings**").

The Group is in the process of refinancing the Borrowings by new financing. Up to the date of approval of these financial statements, the Group has obtained the facilities or internal credit approval from certain banks relating to the new bank loans. The directors of the Company believe that the Group will be able to secure the refinancing of the Borrowings in due course. At the same time it will be able to continue to generate positive cash flows from its operations before the Borrowings falls due. On this basis, the directors of the Company consider that the Group is able to meet in full its financial obligations as they fall due in the coming 12 months. Accordingly, the financial statements have been prepared by the directors of the Company on a going concern basis.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

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

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

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

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

2.2 Changes in accounting policies and disclosures

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 31 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments and the mandatory temporary exception retrospectively. Further disclosures are included in note 9 to the financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective international financial reporting standards

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

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 amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates are included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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 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.

Any contingent consideration to be transferred by the acquirer is recognised 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 recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net 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, recognised 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. 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 ("**CGU**"s), or groups of CGUs, 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 CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGUs) 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 CGU retained.

Fair value measurement

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU'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 CGU to which the asset belongs.

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

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) had no impairment loss been recognised 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

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 capitalised 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 recognises 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:

Buildings	4.5%
Plant and machinery	9% to 25%
Furniture, fixtures and office equipment	7.5% to 50%
Motor vehicles	18% to 25%
Leasehold improvements	7.5% to 38%

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 each financial year end.

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademark and brand name with indefinite lives and distribution rights, are stated at cost less any impairment losses, and are not amortised.

Each of the following intangible assets with finite life is stated at cost less any impairment losses and is amortised on the straight-line basis to write off its cost of each of these intangible assets over its estimated useful life of:

	Years
Licence	14.5-18
Customer relationships	5-14
Direct to Consumer e-commerce platform ("**D2C E-commerce Platform**")	10
Unpatented product formula	15
Product registrations	14-15
Computer software and others	5

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

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 recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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:

	Years
Leasehold land	38-50
Buildings	1-10
Plant and machinery	2-5
Vehicles and office equipment	1-10
Supplier contract	5.5

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised 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 recognised 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 buildings (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 equipments that are considered to be of low value.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income 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 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 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 amortised 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 amortised 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.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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 recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity are also recognised as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

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 derecognised (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 recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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 recognises 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 recognised 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).

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 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 amortised 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 recognises 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised 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 and bills payables, financial liabilities included in other payables and accruals, derivative financial instruments, senior notes, lease liabilities and interest-bearing bank loans.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss represent financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised 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 recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised 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 amortisation is included in finance costs in profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised 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 recognised 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, cross currency swaps and cross currency interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Hedges of net investments

Hedges of net investments in foreign operations, including hedges of a monetary item that are accounted for as part of the net investments, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operations, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable 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 realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

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

- when the deferred tax liability 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, 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 recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised 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 utilised.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Income tax (continued)

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

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

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

Government grants

Government grants are recognised 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 recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services 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 or services.

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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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 recognised 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.

The Group is a provider of premium paediatric nutrition and baby care products, adult nutrition and care products and pet nutrition and care products. These products are sold on their own in separately identified contracts with customers.

Revenue from the sale of the Group's products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of these products.

Some contracts for the sale of the Group's products provide customers with rights of return and sales rebates, giving rise to variable consideration.

(i) 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 recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Sales rebates

Sales rebates may be provided to certain customers once the amount of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a sales threshold and the expected value method for contracts with more than one sales threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the sales thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Other income

Interest income is recognised 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.

Contract liabilities

A contract liability is recognised 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 recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customers).

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to the expected level of returns, and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Share-based payments

The Company has two share option schemes and one share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. Further details of fair values are given in notes 33 and 34 to the financial statements.

The cost of equity-settled transactions is recognised 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 recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised 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. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, 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 recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and shares held for the share award schemes are reflected as additional share dilution in the computation of earnings per share.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 10 to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Foreign currencies

The functional currency of the Company is the HKD while the presentation currency of the Company for the financial statements is the RMB. 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 ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as the Company's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to 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 is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised 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 recognises 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 are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of the entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determining the method to estimate variable consideration and assessing the constraint for the sale of the Group's products

Certain contracts for the sale of the Group's products include a right of return and sales rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method depending on which method better predicts the amount of consideration to which it will be entitled.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Determining the method to estimate variable consideration and assessing the constraint for the sale of the Group's products (continued)

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of the Group's products with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of its products with rebates, the Group determined that using a combination of the most likely amount method and the expected value method is appropriate. The selected method that better predicts the amount of variable consideration related to sales rebates is primarily driven by the number of sales amount contained in the contract. The most likely amount method is used for those contracts with a sales threshold, while the expected value method is used for contracts with more than one sales threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Monetary item designated as the Company's net investment in a foreign operation

Inter-company loans provided by the Company to foreign operations have been designated as the Company's net investments in foreign operations as the directors consider that the Company will not demand for repayment of these inter-company loans from the foreign operations in the foreseeable future.

If the inter-company loans are considered to be repaid in the foreseeable future and are not designated as the Company's net investments in foreign operations, the foreign exchange difference included in other expenses for the year would have been decreased by RMB71,996,000 while the exchange differences on net investments in foreign operations recognised in other comprehensive income would be decreased by the same amount.

Tax provisions

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes worldwide. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group carefully evaluates the tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislation and practices.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties

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

Variable consideration for returns and sales rebates

The Group estimates variable consideration to be included in the transaction price for the sale of its products with rights of return and sales rebates.

The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected sales rebates are analysed on a per customer basis for contracts that are subject to a single sales 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 has applied a statistical model for estimating expected sales rebates for contracts with more than one threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and sales rebates monthly and the refund liabilities are adjusted accordingly. Estimates of expected returns and sales rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of the customers' actual returns and rebate entitlements in the future. As at 31 December 2023, the amount recognised as refund liabilities included in other payables and accruals was RMB561,164,000 (2022: RMB761,715,000) for the expected returns and sales rebates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to the financial statements. During the year, an impairment of goodwill of RMB55,671,000 (2022: RMB109,062,000) was charged to profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties (continued)

Impairment of intangible assets with indefinite useful lives

The Group determines whether intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the intangible assets with indefinite useful lives. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the trademarks, brand names and distribution rights and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to these financial statements. During the year, an impairment of trademark and brand names of RMB20,900,000 (2022: RMB25,413,000) was charged to profit or loss.

Impairment of non-financial assets (other than goodwill)

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. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. 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. Further details are given in notes 12 and 15 to the financial statements, respectively.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's 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 (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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 forecast economic conditions. The Group's 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 receivables is disclosed in note 22 to these financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Provision for obsolete and slow-moving inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes a provision for inventory items identified to be no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which the estimate has been changed.

As at 31 December 2023, the carrying amount of inventories was approximately RMB2,374,801,000 (2022: RMB2,587,701,000) after netting off the allowance for inventories of approximately RMB321,099,000 (2022: RMB234,878,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 was RMB177,757,000 (2022: RMB68,039,000). As at 31 December 2023, deferred tax assets of RMB27,255,000 (2022: RMB36,667,000) have not been recognised in respect of tax losses of the Group. Further details are contained in note 31 to the financial statements.

Fair value of other non-current financial assets and derivative financial instruments

Where fair value of other non-current financial assets and derivative financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement including considerations of inputs such as liquidity risk, credit spread and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments. The fair values of the Group's other non-current financial assets and derivative financial instruments are disclosed in note 20 and note 28 to the financial statements, respectively.

31 December 2023

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products. In previous years, the Group had five reportable operating segments, including the infant formulas segment, the probiotic supplement segment, the adult nutrition and care products segment, the other paediatric products segment and the pet nutrition and care products segment. During the year, in order to better allocate the resources of the Group and assess the performance of different operating segments, the Group regrouped the nutrition supplements from the other paediatric products segment to the probiotic supplements segment, which was correspondingly renamed as probiotic and nutritional supplements segment. The five reportable operating segments are as follows:

(a) the infant formulas segment comprises the production and sale of milk formulas for infants, children and expectant and nursing mothers;

(b) the probiotic and nutritional supplements segment comprises the production and sale of probiotic supplements and nutrition supplements in the form of sachets, capsules, gummies and tablets for infants, children and expectant mothers;

(c) the adult nutrition and care products segment comprises the production and sale of vitamins, herbal and mineral supplements, skin care and sports nutrition products for adults;

(d) the other paediatric products segment comprises the production and sale of dried baby food and baby care products; and

(e) the pet nutrition and care products segment comprises the production and sale of holistic pet food and multi-condition pet supplements.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is measured consistently with the Group's profit before tax except that interest income, other income and unallocated gains, share of results of associates, finance costs as well as head office and corporate expenses are excluded from this measurement.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the year ended 31 December 2023:

	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000	Adult nutrition and care products RMB'000	Other paediatric products RMB'000	Pet nutrition and care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue (note 5):							
Sales to external customers	4,397,454	1,213,325	6,144,946	296,691	1,874,054	–	13,926,470
Segment results	2,301,461	927,470	4,030,219	123,698	911,408	–	8,294,256
Reconciliations:							
Interest income							24,412
Other income and unallocated gains							190,145
Share of losses of associates							(17,185)
Corporate and other unallocated expenses							(6,784,537)
Finance costs							(773,489)
Profit before tax							933,602
Other segment information:							
Depreciation and amortisation	24,104	6,841	87,660	9,444	77,713	96,491	302,253
Impairment of trade receivables	–	–	1,591	968	517	–	3,076
Write-down of inventories to net realisable value	157,915	2,701	117,676	7,490	27,461	–	313,243
Impairment of goodwill and intangible assets	–	–	41,660	55,671	–	–	97,331
Reversal of impairment of property, plant and equipment	–	–	–	–	(1,273)	–	(1,273)
Capital expenditure*	61,510	4,648	15,211	12,259	15,750	13,055	122,433

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the year ended 31 December 2022:

	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000 (Restated)	Adult nutrition and care products RMB'000	Other paediatric products RMB'000 (Restated)	Pet nutrition and care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue (note 5):							
Sales to external customers	5,179,961	1,111,749	4,559,212	395,462	1,529,530	–	12,775,914
Segment results	3,148,382	853,522	2,852,567	170,562	678,455	–	7,703,488
Reconciliations:							
Interest income							20,019
Other income and unallocated gains							199,799
Share of losses of associates							(21,633)
Corporate and other unallocated expenses							(6,345,083)
Finance costs							(525,659)
Profit before tax							1,030,931
Other segment information:							
Depreciation and amortisation	23,904	9,802	89,681	9,550	71,508	106,838	311,283
Impairment of trade receivables	–	–	5,196	10,470	–	–	15,666
Write-down of inventories to net realisable value	149,770	2,205	57,605	17,192	22,457	–	249,229
Impairment of goodwill and intangible assets	–	–	128,044	6,431	–	–	134,475
Impairment of property, plant and equipment	–	–	–	–	3,041	–	3,041
Capital expenditure*	16,763	2,867	20,435	5,140	9,664	4,047	58,916

* Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
Mainland China	9,972,668	9,565,867
Australia and New Zealand	1,794,566	1,387,351
North America	1,498,193	1,220,807
Other locations*	661,043	601,889
Total revenue	13,926,470	12,775,914

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
Mainland China	441,364	468,274
Australia and New Zealand	2,358,609	2,368,711
North America	2,489,134	2,503,439
Other locations*	967,902	1,043,962
Total non-current assets	6,257,009	6,384,386

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and goodwill.

* Including the special administrative regions of the PRC.

Information about major customers

During the years ended 31 December 2023 and 2022, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of the revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Sale of goods	13,926,470	12,775,914

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000	Adult nutrition and care products RMB'000	Other paediatric products RMB'000	Pet nutrition and care products RMB'000	Total RMB'000
Geographical markets						
Mainland China	4,244,230	1,200,633	4,056,237	65,865	405,703	9,972,668
Australia and New Zealand	17,047	1,511	1,776,008	–	–	1,794,566
North America	–	560	33,165	–	1,464,468	1,498,193
Other locations*	136,177	10,621	279,536	230,826	3,883	661,043
Total	4,397,454	1,213,325	6,144,946	296,691	1,874,054	13,926,470
Timing of revenue recognition						
Goods transferred at a point in time	4,397,454	1,213,325	6,144,946	296,691	1,874,054	13,926,470

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2022

Segments	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000 (Restated)	Adult nutrition and care products RMB'000	Other paediatric products RMB'000 (Restated)	Pet nutrition and care products RMB'000	Total RMB'000
Geographical markets						
Mainland China	5,022,877	1,103,276	2,937,323	166,627	335,764	9,565,867
Australia and New Zealand	30,365	1,180	1,355,806	–	–	1,387,351
North America	–	714	27,475	–	1,192,618	1,220,807
Other locations*	126,719	6,579	238,608	228,835	1,148	601,889
Total	5,179,961	1,111,749	4,559,212	395,462	1,529,530	12,775,914
Timing of revenue recognition						
Goods transferred at a point in time	5,179,961	1,111,749	4,559,212	395,462	1,529,530	12,775,914

* Including the special administrative regions of the PRC.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**266,613**	264,215

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

(ii) Performance obligations

The performance obligation is satisfied upon delivery of the Group's products. Advance payment is normally required for sales to customers in mainland China except in limited circumstances for credit sales. Credit sales are usually allowed for customers outside mainland China with credit terms of 30 to 90 days from end of month. Some contracts provide customers with a right of return and sales rebates which give rise to variable consideration subject to constraint.

Other income and gains

	2023 RMB'000	2022 RMB'000
Bank interest income	22,676	16,879
Interest income from loans and bonds receivables	1,736	3,140
Foreign exchange gains	–	76,669
Fair value gains on derivative financial instruments	24,930	23,596
Fair value changes on other non-current financial assets	28,174	–
Government subsidies*	19,113	18,508
Gains from sales of raw materials	64,960	23,882
Gains from sale of scraps	7,389	12,895
Gain on disposal of a leasehold land	–	3,399
Gains on revision of lease term or early termination of leases	29	3,175
Interest income from investment in Isigny Sainte Mère ("**ISM**")	5,815	1,522
Net gains on partial repurchase of the senior notes (note 30)	20,803	25,204
Reversal of impairment of other receivables	7,083	–
Reversal of impairment of property, plant and equipment	1,273	–
Others	10,576	10,949
Total other income and gains	214,557	219,818

* There are no unfulfilled conditions or contingencies related to these government subsidies.

6. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on interest-bearing bank loans and senior notes	801,335	524,192
Interest on lease liabilities (note 13(b))	6,270	6,100
Write-off of unamortised transaction costs and losses on modification upon refinancing of interest-bearing bank loans	–	31,851
Amortised gain of interest rate hedge in relation to previous term loan	(62,908)	(36,484)
Transaction costs, net of gain on exchange of senior notes	28,792	–
Total	773,489	525,659

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7. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**5,318,971**	4,823,197
Depreciation of property, plant and equipment	12	**69,713**	72,431
Depreciation of right-of-use assets	13(c)	**36,500**	38,576
Amortisation of intangible assets	15	**196,040**	200,276
Auditor's remuneration		**8,047**	7,880
Research and development costs**		**206,077**	158,188
Lease payments not included in the measurement of lease liabilities	13(c)	**12,186**	18,527
Gains on revision of lease term or early termination of leases*	13(c)	**(29)**	(3,175)
Gain on disposal of a leasehold land*	13(c)	**–**	(3,399)
Loss on disposal of items of property, plant and equipment and intangible assets**		**2,677**	8,071
Employee benefit expenses (including directors' and chief executive's remuneration) (note 8(a)):			
Wages and salaries		**1,197,911**	1,107,720
Pension scheme contributions (defined contribution schemes)		**191,399**	178,186
Staff welfare and other expenses		**87,470**	82,799
Reversal of equity-settled share option expense	33	**(17,359)**	(64,773)
Equity-settled share award expense	34	**13,571**	20,231
Total		**1,472,992**	1,324,163
Foreign exchange losses/(gains), net		**4,771****	(76,669)*
Fair value gains on derivative financial instruments, net*	28	**(24,930)**	(23,596)
Fair value (gains)/losses on other non-current financial assets		**(28,174)***	26,443**
(Reversal of impairment)/impairment of property, plant and equipment	12	**(1,273)***	3,041**
Impairment of goodwill**	14	**55,671**	109,062
Impairment of intangible assets **	15	**41,660**	25,413
Impairment of trade receivables**	22	**3,076**	15,666
(Reversal of impairment)/impairment of other receivables		**(7,083)***	13,213**
Write-down of inventories to net realisable value#		**313,243**	249,229
Net gains from partial repurchase of the senior notes*	5	**(20,803)**	(25,204)
Amortised gain of interest rate hedge in relation to previous term loan##	6	**(62,908)**	(36,484)
Transaction costs, net of gain on exchange of senior notes##	6	**28,792**	–

* Included in "Other income and gains" in profit or loss
** Included in "Other expenses" in profit or loss
\# Included in "Cost of sales" in profit or loss
\#\# Included in "Finance costs" in profit or loss

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's remuneration

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

	2023 RMB'000	2022 RMB'000
Fees	6,823	6,400
Other emoluments:		
Salaries, allowances and benefits in kind	11,128	20,924
Performance-related bonuses	10,214	24,337
Reversal of equity-settled share option expense	(2,556)	(33,228)
Equity-settled share award expense	5,720	8,817
Pension scheme contributions	862	8,877
Termination benefits	2,677	6,794
Subtotal	28,045	36,521
Total fees and other emoluments	34,868	42,921

During the year and in prior years, share options and share awards were granted to certain directors and chief executive in respect of their services to the Group, further details of which are set out in notes 33 and 34 to the financial statements, respectively. The fair values of these options and awards, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amounts included in the financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and chief executive's remuneration (continued)

The remuneration of each of the directors and the chief executive for the year ended 31 December 2023 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Reversal of equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Termination benefits RMB'000	Total RMB'000
2023								
Directors								
Executive directors:								
Mr. Luo Fei ("Mr. Luo")	800	2,464	207	–	–	24	–	3,495
Mr. Wang Yidong ("Mr. Wang")	800	5,747	7,667	(2,336)	2,880	216	–	14,974
Subtotal	1,600	8,211	7,874	(2,336)	2,880	240	–	18,469
Non-executive directors:								
Mrs. Laetitia Albertini (note (a))	1,223	–	–	–	1,502	–	–	2,725
Mr. Luo Yun	800	–	–	–	–	–	–	800
Dr. Zhang Wen hui	800	–	–	–	–	–	–	800
Subtotal	2,823	–	–	–	1,502	–	–	4,325
Independent non-executive directors:								
Mr. Tan Wee Seng	800	–	–	–	435	–	–	1,235
Mrs. Lok Lau Yin Ching	800	–	–	–	435	–	–	1,235
Professor Ding Yuan (note (b))	800	–	–	–	217	–	–	1,017
Subtotal	2,400	–	–	–	1,087	–	–	3,487
Total	6,823	8,211	7,874	(2,336)	5,469	240	–	26,281
Chief executive:								
Mr. Camillo Pane (note (c))	–	1,920	1,680	–	–	620	2,677	6,897
Chief executive officer ("CEO") Office arrangement (note (d))	133	1,744	660	(415)	491	22	–	2,635
Total	133	3,664	2,340	(415)	491	642	2,677	9,532
DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION								
Total*	6,823	11,128	10,214	(2,556)	5,720	862	2,677	34,868

* Taking into consideration the dual role of Mr. Luo and Mr. Wang as executive directors of the Company and members in the CEO office and to prevent duplicate counting, the aggregate remuneration payable to Mr. Luo and Mr. Wang of RMB945,000 for the period from 1 December 2023 to 31 December 2023 was excluded in the disclosure of the total amount for the directors' and chief executive's remuneration.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and chief executive's remuneration (continued)

The remuneration of each of the directors and the chief executive for the year ended 31 December 2022 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Reversal of equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions* RMB'000	Termination benefits RMB'000	Total RMB'000
2022								
Executive directors:								
Mr. Luo Fei	800	2,969	–	–	–	23	–	3,792
Mrs. Laetitia Albertini (note (a)) (Chief executive)	800	12,607	18,356	(28,102)	4,205	8,648	6,794	23,308
Mr. Wang Yidong	800	5,348	5,981	(5,126)	3,337	206	–	10,546
Subtotal	2,400	20,924	24,337	(33,228)	7,542	8,877	6,794	37,646
Non-executive directors:								
Mr. Luo Yun	800	–	–	–	–	–	–	800
Dr. Zhang Wen hui	800	–	–	–	–	–	–	800
Subtotal	1,600	–	–	–	–	–	–	1,600
Independent non-executive directors:								
Mr. Tan Wee Seng	800	–	–	–	504	–	–	1,304
Mrs. Lok Lau Yin Ching	800	–	–	–	504	–	–	1,304
Mr. Wang Can (note (b))	800	–	–	–	267	–	–	1,067
Subtotal	2,400	–	–	–	1,275	–	–	3,675
Total	6,400	20,924	24,337	(33,228)	8,817	8,877	6,794	42,921

* The pension scheme contributions include the costs for social security plans paid to France social security directly

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and chief executive's remuneration (continued)

Notes:

(a) Mrs. Laetitia Albertini has ceased to be the CEO of the Company with effect from 31 December 2022 and has been redesignated as a non-executive director with effect from 1 January 2023.

(b) Mr. Wang Can has resigned from the board of directors (the "Board") and ceased to be the chairman of the audit committee with effect from 31 December 2022 and Professor Ding Yuan has been appointed as an independent non-executive Director and the chairman of the audit committee with effect from 1 January 2023.

(c) Mr. Camillo Pane was appointed as the CEO from 1 September 2023 and resigned on 17 November 2023, whose remuneration is disclosed above.

(d) The Board has established a permanent governance body, the CEO Office, to assume the role and responsibilities of the CEO commencing from 1 December 2023. The CEO Office focuses on the Company's business development, strategy execution, and daily management and operations generally and reports to the chairman of the Board.

The CEO Office comprise (i) the rotating CEO, the position of which will be sequentially taken by regional CEO of North America and Europe, regional CEO of Asia, Australia and New Zealand, and regional CEO of China, who will act as the CEO of the Group by rotation (in the abovementioned order) for a term of 9 months each commencing on 1 December 2023; and (ii) as standing members, the Group's chief financial officer, the Group's chief operating officer, the Group's chief people officer and the chairman of the Board. Mr. Akash Bedi served as the rotating CEO since 1 December 2023 for a term of 9 months. The members comprising the CEO Office for the period from 1 December 2023 to 31 December 2023 include Mr. Akash Bedi, Mr. Wang, Mr. Zhang Qizhang and Mr. Luo.

No remuneration was paid to the CEO Office and the remuneration paid to the members comprising the CEO Office for the period from 1 December 2023 to 31 December 2023, is disclosed above.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(b) Five highest paid employees

The five highest paid employees during the year included two (2022: two) directors, details of whose remuneration are set out in note 8(a) above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	14,094	8,918
Performance-related bonuses	15,526	11,627
Reversal of equity-settled share option expense	(3,936)	(2,056)
Equity-settled share award expense	4,609	4,316
Pension scheme contributions	218	122
Total	30,511	22,927

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

	Number of employees 2023	2022
HKD8,000,001 to HKD8,500,000	–	1
HKD8,500,001 to HKD9,000,000	–	1
HKD9,000,001 to HKD9,500,000	1	–
HKD9,500,001 to HKD10,000,000	–	1
HKD10,500,001 to HKD11,000,000	1	–
HKD14,000,001 to HKD14,500,000	1	–
Total	3	3

During the year and in prior years, share options and share awards were granted to the 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 notes 33 and 34 to the financial statements, respectively. The fair values of these share options and share awards, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amount included in the financial statements for the current year are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. INCOME TAX

	2023 RMB'000	2022 RMB'000
Current		
– Charge for the year		
Mainland China	112,829	295,726
Hong Kong	126,103	121,188
Australia	97,799	40,667
Elsewhere	420	2,773
– Over provision in the prior year	(2,823)	(789)
Deferred (note 31)	17,429	(40,417)
Total	351,757	419,148

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

PRC enterprise income tax ("EIT")

The income tax provision of the Group in respect of its operations in mainland China has been calculated at the rate of 25% (2022: 25%) on the taxable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Hapai and Biostime Health, the Company's wholly-owned subsidiaries operating in mainland China, were recognised as high-technology enterprise in December 2022 and 2023, respectively, and are subject to EIT at a rate of 15% for three years from 2022 to 2024 and from 2023 to 2025, respectively. Therefore, Guangzhou Hapai and Biostime Health were subject to EIT at a rate of 15% for the years ended 31 December 2023 and 2022.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HKD2,000,000 (2022: HKD2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

9. INCOME TAX (CONTINUED)

Australia corporate income tax

Australia corporate income tax has been provided at the rate of 30% (2022: 30%) on the estimated assessable profits arising in Australia.

Tax consolidation legislation

Biostime Healthy Australia Pty Ltd. ("**Biostime Healthy Australia**"), its wholly-owned Australian subsidiaries and eligible Tier 1 fellow subsidiaries have elected to form an income tax multiple entry consolidated ("**MEC**") group, for Australian income tax purposes.

In an income tax MEC group, Biostime Healthy Australia, its wholly-owned subsidiaries and eligible Tier 1 fellow subsidiaries within the income tax MEC group account for their own current and deferred tax amounts. These income tax amounts are measured as if each entity in the income tax MEC group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Biostime Healthy Australia also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries within the income tax MEC group.

The entities have also entered into a tax funding arrangement under which the wholly-owned entities fully compensate Biostime Healthy Australia for any current tax payable assumed and are compensated by Biostime Healthy Australia for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Biostime Healthy Australia under the income tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding arrangement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entitles.

As a top 1,000 taxpayer in Australia, Biostime Healthy Australia is subject to the Australian Tax Office's (ATO) compliance programs, which started in August 2019. Biostime Healthy Australia is currently undergoing an Australian tax examination for which the timing of resolution and any potential economic outcome is unable to be determined at this stage. This examination is expected to continue until 31 December 2024 and potentially beyond that date. Biostime Healthy Australia is being assisted in the discussions by external advisors.

9. INCOME TAX (CONTINUED)

Income tax for other jurisdictions

The Group's tax provision in respect of other jurisdictions has been calculated at the applicable tax rates in accordance with the prevailing practices of the jurisdictions in which the Group operates.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	**933,602**	1,030,931
Tax at the applicable PRC enterprise income tax rate	**233,401**	257,733
Overseas tax differences	**(17,723)**	(22,004)
Tax effects on preferential tax rates	**(27,584)**	(33,641)
Expenses not deductible for tax	**162,621**	154,574
Tax incentive on eligible expenses	**(7,704)**	(5,625)
Tax losses utilised from previous periods	**(744)**	(1,810)
Income not subject to tax	**(37,070)**	(31,504)
Tax losses not recognised	**27,255**	36,667
Tax on internal transfer of assets	**–**	33,834
Adjustment in respect of current tax of previous periods	**(2,823)**	(789)
Effect of withholding tax at 5% (2022: 5%) on the distributable profits of the Group's subsidiaries in mainland China	**22,128**	31,713
Tax charge at the Group's effective rate	**351,757**	419,148

Pillar Two income taxes

As stated in note 2.2(d), the Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. In a limited number of jurisdictions, the relevant entities are suffering losses or the transitional safe harbour relief applies. The management is not currently aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

10. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends on ordinary shares declared and paid during the year:		
Interim – HKD0.44 (2022: HKD0.25) per ordinary share	**258,860**	139,737
Proposal final – HKD0.18 (2022: HKD0.38) per ordinary share	**101,594**	220,717

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 640,141,115 (2022: 640,031,979) in issue during the year.

The calculation of the diluted earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares under the share option schemes and the share award schemes.

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

	2023 RMB'000	2022 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**581,845**	611,783

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	**645,561,354**	645,240,237
Weighted average number of shares held for the share award schemes	**(5,420,239)**	(5,208,258)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**640,141,115**	640,031,979
Effect of dilution – weighted average number of ordinary shares:		
Share options and awarded shares	**4,725,807**	4,290,732
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**644,866,922**	644,322,711

31 December 2023

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2023	275,599	376,897	146,538	12,411	126,833	26,556	964,834
Additions	–	17,418	8,509	242	5,180	24,759	56,108
Disposals	–	(888)	(23,232)	(1,872)	(737)	(736)	(27,465)
Transfers	–	14,455	3,508	–	1,843	(19,806)	–
Exchange realignment	–	4,631	2,130	15	1,590	828	9,194
At 31 December 2023	275,599	412,513	137,453	10,796	134,709	31,601	1,002,671
Accumulated depreciation and impairment:							
At 1 January 2023	104,178	257,708	116,742	7,734	87,049	3,041	576,452
Depreciation provided during the year (note 7)	13,344	34,621	10,292	1,425	10,031	–	69,713
Reversal of impairment for this year (note 7)	–	–	–	–	–	(1,273)*	(1,273)
Disposals	–	(72)	(15,640)	(1,632)	(638)	–	(17,982)
Exchange realignment	–	3,573	1,661	13	969	–	6,216
At 31 December 2023	117,522	295,830	113,055	7,540	97,411	1,768	633,126
Net carrying amount:							
At 31 December 2023	158,077	116,683	24,398	3,256	37,298	29,833	369,545

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2022	275,568	383,862	161,808	14,114	117,187	23,759	976,298
Additions	31	2,108	7,783	1,073	12,739	3,522	27,256
Disposals	–	(10,706)	(25,915)	(2,805)	(3,660)	(1,018)	(44,104)
Transfers	–	–	558	–	–	(558)	–
Exchange realignment	–	1,633	2,304	29	567	851	5,384
At 31 December 2022	275,599	376,897	146,538	12,411	126,833	26,556	964,834
Accumulated depreciation and impairment:							
At 1 January 2022	90,830	225,168	125,482	8,887	81,553	–	531,920
Depreciation provided during the year (note 7)	13,348	38,942	11,464	1,363	7,314	–	72,431
Impairment for the year (note 7)	–	–	–	–	–	3,041*	3,041
Disposals	–	(7,827)	(21,454)	(2,544)	(2,332)	–	(34,157)
Exchange realignment	–	1,425	1,250	28	514	–	3,217
At 31 December 2022	104,178	257,708	116,742	7,734	87,049	3,041	576,452
Net carrying amount:							
At 31 December 2022	171,421	119,189	29,796	4,677	39,784	23,515	388,382

* During the year, an impairment of RMB1,273,000 was reversed (2022: an impairment of RMB3,041,000 was provided) as a leasehold improvement project in progress was reused.

13. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, buildings, plant and machinery, vehicles and office equipment. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings have varying lease terms of 1 to 10 years. Leases of plant and machinery generally have lease terms between 2 and 5 years, while vehicles and office equipment generally have lease terms between 1 and 10 years. The Group identified a lease embedded within a supplier contract for packaging and production for their operations, the obligations to which are expected to expire within 5.5 years.

The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

(a) Right-of-use assets

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

	Leasehold land RMB'000	Buildings RMB'000	Plant and Machinery RMB'000	Vehicles and office equipment RMB'000	Supplier contract RMB'000	Total RMB'000
As at 1 January 2022	54,375	71,794	4,705	1,822	12,221	144,917
Additions	6,242	40,928	–	4,387	–	51,557
Depreciation charge (note 7)	(1,509)	(26,658)	(1,311)	(4,170)	(4,928)	(38,576)
Early termination of leases	–	(8,811)	–	–	–	(8,811)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(867)	–	–	–	(867)
Disposal	(5,999)	–	–	–	–	(5,999)
Exchange realignment	–	174	80	53	192	499
As at 31 December 2022 and 1 January 2023	**53,109**	**76,560**	**3,474**	**2,092**	**7,485**	**142,720**
Additions	**–**	**29,146**	**–**	**5,775**	**–**	**34,921**
Depreciation charge (note 7)	**(1,484)**	**(25,253)**	**(1,318)**	**(3,491)**	**(4,954)**	**(36,500)**
Disposal	**–**	**(1,515)**	**–**	**–**	**–**	**(1,515)**
Exchange realignment	**–**	**1,297**	**55**	**174**	**50**	**1,576**
As at 31 December 2023	**51,625**	**80,235**	**2,211**	**4,550**	**2,581**	**141,202**

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	101,143	102,582
New leases	34,921	45,315
Early termination of leases	(1,544)	(12,548)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(305)
Accretion of interest recognised during the year (note 6)	6,270	6,100
Payments	(36,315)	(40,976)
Exchange realignment	2,583	975
Carrying amount at 31 December	107,058	101,143
Analysed into:		
Current portion	37,415	21,960
Non-current portion	69,643	79,183

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities (note 6)	6,270	6,100
Depreciation charge of right-of-use assets (note 7)	36,500	38,576
Gains on revision of a lease term and early termination of leases (note 7)	(29)	(3,175)
Gain on disposal of a leasehold land (note 7)	–	(3,399)
Expense relating to short-term leases and leases of low-value assets (note 7)	12,186	18,527
Total amount recognised in profit or loss	54,927	56,629

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 36(c) and 38(b), respectively, to the financial statements.

14. GOODWILL

	2023 RMB'000	2022 RMB'000
At 1 January		
Cost	7,869,155	7,547,994
Accumulated impairment	(185,062)	(76,000)
Net carrying amount	7,684,093	7,471,994
Cost at 1 January, net of accumulated impairment	7,684,093	7,471,994
Impairment during the year (note 7)	(55,671)	(109,062)
Exchange realignment	192,100	321,161
At 31 December	7,820,522	7,684,093
At 31 December		
Cost	8,071,122	7,869,155
Accumulated impairment	(250,600)	(185,062)
Net carrying amount	7,820,522	7,684,093

Impairment testing of goodwill

During the year ended 31 December 2023, an impairment loss of RMB55,671,000 was provided on the CGU under the other paediatric products segment (2022: impairment losses of RMB109,062,000 on two CGUs under the adult nutrition and care products segment and the other paediatric products segment).

Details of the impairment testing of goodwill have been set out in note 16 to the financial statements.

15. INTANGIBLE ASSETS

	Trademark and brand name* RMB'000	Licence RMB'000	Customer relationships RMB'000	D2C E-commerce Platform RMB'000	Unpatented product formula RMB'000	Distribution rights* RMB'000	Product registrations RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:									
At 1 January 2023	3,801,881	228,785	1,755,165	30,261	58,306	556,512	4,372	150,835	6,586,117
Additions	4,937	–	–	–	72	–	37,690	23,626	66,325
Disposal	–	–	–	–	(215)	–	–	(12,571)	(12,786)
Exchange realignment	91,561	3,569	42,359	2,332	1,751	–	111	3,787	145,470
At 31 December 2023	3,898,379	232,354	1,797,524	32,593	59,914	556,512	42,173	165,677	6,785,126
Accumulated amortisation and impairment:									
At 1 January 2023	25,413	87,741	700,804	12,778	27,843	–	1,338	90,893	946,810
Amortisation provided during the year (note 7)	–	14,218	148,712	3,170	5,539	–	2,705	21,696	196,040
Impairment during the year# (note 7)	20,900	–	4,089	15,850	–	–	821	–	41,660
Disposal	–	–	–	–	(181)	–	–	(11,770)	(11,951)
Exchange realignment	3,219	1,306	21,097	795	1,021	–	52	2,668	30,158
At 31 December 2023	49,532	103,265	874,702	32,593	34,222	–	4,916	103,487	1,202,717
Net carrying amount:									
At 31 December 2023	3,848,847	129,089	922,822	–	25,692	556,512	37,257	62,190	5,582,409

15. INTANGIBLE ASSETS (CONTINUED)

	Trademark and brand name* RMB'000	Licence RMB'000	Customer relationships RMB'000	D2C E-commerce Platform RMB'000	Unpatented product formula RMB'000	Distribution rights* RMB'000	Product registrations RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:									
At 1 January 2022	3,606,232	226,366	1,675,351	31,026	55,995	556,512	4,402	119,652	6,275,536
Additions	35	–	–	–	1,749	–	–	29,876	31,660
Disposal	–	–	–	–	(564)	–	–	(1,821)	(2,385)
Exchange realignment	195,614	2,419	79,814	(765)	1,126	–	(30)	3,128	281,306
At 31 December 2022	3,801,881	228,785	1,755,165	30,261	58,306	556,512	4,372	150,835	6,586,117
Accumulated amortisation and impairment:									
At 1 January 2022	–	72,950	529,913	9,306	22,364	–	1,144	67,423	703,100
Amortisation provided during the year (note 7)	–	14,258	154,640	3,659	5,321	–	219	22,179	200,276
Impairment during the year# (note 7)	25,413	–	–	–	–	–	–	–	25,413
Disposal	–	–	–	–	(361)	–	–	(1,228)	(1,589)
Exchange realignment	–	533	16,251	(187)	519	–	(25)	2,519	19,610
At 31 December 2022	25,413	87,741	700,804	12,778	27,843	–	1,338	90,893	946,810
Net carrying amount:									
At 31 December 2022	3,776,468	141,044	1,054,361	17,483	30,463	556,512	3,034	59,942	5,639,307

* Trademark, brand name and distribution rights are regarded as having indefinite useful lives as they are expected to generate net cash inflows to the Group indefinitely. As at 31 December 2023 and 2022, these intangible assets with indefinite useful lives were tested for impairment (note 16).

As at 31 December 2023, based on the recoverable amount of nil under the value in use calculation, impairment losses amounting to RMB20,900,000 (2022: RMB25,413,000) and RMB20,760,000 (2022: nil) were recognised on the brand name and other intangible assets of Aurelia™, respectively, details of which was disclosed in note 16 to the financial statements.

16. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives acquired through business combinations have been allocated to individual CGUs under the following five categories.

- Infant formulas;
- Adult nutrition and care products;
- Other paediatric products; and
- Pet nutrition and care products.

16. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

The respective carrying amounts of goodwill and intangible assets with indefinite useful lives allocated to the different CGUs, being the acquired companies or brands, are set out below:

	2023		2022	
	Goodwill RMB'000	Intangible assets with indefinite useful lives RMB'000	Goodwill RMB'000	Intangible assets with indefinite useful lives RMB'000
Infant formulas				
– Healthy Times™	43,434	34,529	42,710	32,909
– Biostime Changsha	–	–	–	–
– Farmland	75,356	–	73,264	–
	118,790	34,529	115,974	32,909
Adult nutrition and care products				
– Swisse™	4,948,710	1,815,905	4,811,326	1,765,492
– Swisse™ distribution right	–	556,512	–	556,512
– Aurelia™	–	–	–	20,575
	4,948,710	2,372,417	4,811,326	2,342,579
Other paediatric products supplements				
– Good Gout™	50,108	90,101	101,396	81,652
– Dodie™	63,037	16,351	59,538	15,443
	113,145	106,452	160,934	97,095
Pet nutrition and care products				
– Solid Gold™	434,310	392,544	427,068	386,029
– Zesty Paws™	2,205,567	1,499,417	2,168,791	1,474,368
	2,639,877	1,891,961	2,595,859	1,860,397
	7,820,522	4,405,359	7,684,093	4,332,980

16. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projection based on financial budgets or forecasts approved by management covering a period of five years. The growth rates used to extrapolate the cash flows beyond the period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

The pre-tax discount rates applied to cash flow projections and the growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	Discount rate		Growth rate	
	2023	2022	**2023**	2022
Infant formulas	**16.2%-17.4%**	16.2%-16.9%	**2.2%**	2.3%
Adult nutrition and care products	**11.6%-15.6%**	11.7%-15.5%	**2.0%-2.7%**	2.0%-2.7%
Other paediatric products	**11.5%-15.8%**	11.7%-16.1%	**2.0%**	2.0%-2.2%
Pet nutrition and care products	**9.4%-11.5%**	10.8%-11.5%	**2.0%**	2.0%-2.3%

Assumptions were used in the value in use calculation of each CGU as at 31 December 2023 and 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and intangible assets with indefinite useful lives:

Forecast sales amounts – The forecast sales amounts are based on the historical sales data and market outlook perceived by management.

Forecast gross margins – The bases used to determine the values assigned to the forecast gross margins are the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant CGUs.

Forecast raw materials purchase prices – The bases used to determine the values assigned to forecast raw materials purchase prices are the forecasted price indices during the budget year for those countries where raw materials are sourced.

The values assigned to the key assumptions on market development of the CGUs, discount rates and raw materials purchase prices are consistent with external information sources.

In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

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16. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

Following the annual impairment testing, an impairment loss of RMB76,571,000 (2022: RMB134,475,000) was charged to profit or loss during the year, due to the relevant intensive market competition. The details of the impairment loss were listed below:

CGU	Notes	Reportable segment	2023 RMB'000	2022 RMB'000
Aurelia™	(a)	Adult nutrition and care products	20,900	128,044
Good Gout™	(b)	Other paediatric products	55,671	6,431
			76,571	134,475

Notes:

(a) As at 31 December 2023, based on the recoverable amount of nil under the value in use calculation, an impairment loss amounting to RMB20,900,000 was recognised on the brand name of Aurelia™ (2022: RMB102,631,000 and RMB25,413,000 were recognised on the relevant goodwill and the brand name of Aurelia™ respectively).

Aurelia™ was acquired in 2019 and was engaged in research, development and sale of probiotic skincare products. The impairment losses were due to intense competition in the market of skincare products, which resulted in a decrease in sales of the CGU for the year as compared to the forecast, and a corresponding decrease in expected future cash flow of the CGU.

(b) As at 31 December 2023, based on the recoverable amount of RMB154,177,000 (2022: RMB207,104,000) under the value in use calculation, an impairment loss amounting to RMB55,671,000 (2022: RMB6,431,000) was recognised on the relevant goodwill of Good Gout™, which arose from the expected decline in the market demand. Good Gout™ was acquired in 2018 and was engaged in marketing and distribution of baby food products.

17. BONDS RECEIVABLE

	2023 RMB'000	2022 RMB'000
Bonds receivable	78,592	74,229
Less: Current portion	(78,592)	–
Non-current portion	–	74,229

The Group entered into a bond subscription agreement with ISM (the "**Bond Subscription Agreement**") on 2 January 2019, pursuant to which ISM issued, and the Group subscribed for 10,000,000 bonds, with a nominal value of EUR1 per bond, at a subscription price equivalent to the face value of the bond. The bonds bear interest at a rate of 2% per annum. The bonds will mature on 2 January 2024, five years from the date of the Bond Subscription Agreement. The carrying amount of bonds receivable approximates to their fair value.

The above bonds receivable balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

18. DEPOSITS

	2023 RMB'000	2022 RMB'000
Deposits paid for purchase of items of property, plant and equipment	**5,918**	5,943
Deposits paid for purchase of intangible assets	**15,268**	48,685
Rental deposits	**7,717**	7,214
Total	**28,903**	61,842

19. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	**76,558**	93,743
Goodwill on acquisition	**58,392**	58,392
Total	**134,950**	152,135

The Group's prepayment with an associate are disclosed in note 23 to the financial statements, respectively.

Particulars of the associates are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Hangzhou Coamie Personal Care Products Co., Ltd.	RMB200,000,000	PRC/Mainland China	20%	Manufacture, retail and import and export of baby diapers
PROVEN Group, Inc. (formerly known as Life Spectacular, Inc.)	USD480	United States	23%	Development and sale of customised skincare products

The Group's shareholding in the associates represents equity shares held through the wholly-owned subsidiaries of the Company.

The following table illustrates the financial information of the Group's associates that is not material to the Group:

	2023 RMB'000	2022 RMB'000
Share of the associates' losses for the year	**(17,185)**	(21,633)
Share of the associates' total comprehensive losses	**(17,185)**	(21,633)
Aggregate carrying amount of the Group's investments in the associates	**134,950**	152,135

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20. OTHER NON-CURRENT FINANCIAL ASSETS

	2023 RMB'000	2022 RMB'000
Financial assets at fair value through profit or loss:		
– Unlisted equity investments (note (a))	**66,368**	46,439
– Other unlisted investments (note (b))	**120,510**	106,649
Subtotal	**186,878**	153,088
Equity investments designated at fair value through other comprehensive income: (note (c))		
– Listed equity investments:		
BOD Australia Limited	**1,730**	10,511
Else Nutrition Holdings Limited	**12,444**	30,180
– Other unlisted investments	**1,306**	1,238
Subtotal	**15,480**	41,929
Total	**202,358**	195,017

Notes:

(a) These unlisted equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

(b) These unlisted investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(c) These equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

21. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**554,568**	652,111
Goods in transit	**358,795**	671,558
Work in progress	**4,698**	3,623
Finished goods	**1,456,740**	1,260,409
Total	**2,374,801**	2,587,701

22. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**1,066,700**	747,762
Less: Impairment provision	**(25,730)**	(26,249)
	1,040,970	721,513
Bills receivable	**19,284**	47,538
Net carrying amount	**1,060,254**	769,051

Advance payment is normally required for sales to customers in mainland China except in limited circumstances for credit sales. Credit sales are usually allowed for customers outside mainland China with credit terms of 30 to 90 days from end of month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. Bills receivable represent bank acceptance notes issued by banks in mainland China which are non-interest-bearing.

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

	2023 RMB'000	2022 RMB'000
Within 1 month	**548,993**	314,564
1 to 3 months	**457,958**	411,192
Over 3 months	**53,303**	43,295
Total	**1,060,254**	769,051

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**26,249**	24,968
Impairment losses recognised (note 7)	**6,180**	20,048
Amount written off as uncollectible	**(4,809)**	(15,825)
Impairment losses reversed (note 7)	**(3,104)**	(4,382)
Exchange realignment	**1,214**	1,440
At end of year	**25,730**	26,249

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.86%**	**2.50%**	**9.95%**	**16.92%**	**2.41%**
Gross carrying amount (RMB'000)	**701,737**	**273,199**	**37,819**	**53,945**	**1,066,700**
Expected credit losses (RMB'000)	**6,005**	**6,833**	**3,762**	**9,130**	**25,730**

As at 31 December 2022

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	1.26%	4.99%	14.49%	23.12%	3.51%
Gross carrying amount (RMB'000)	558,146	124,368	24,334	40,914	747,762
Expected credit losses (RMB'000)	7,060	6,204	3,527	9,458	26,249

None of the bills receivable is either past due or impaired. There was no recent history of default for bills receivable.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments	**115,998**	85,986
Deposits	**5,736**	4,066
Other receivables	**106,409**	69,474
Prepaid expenses	**17,667**	19,743
Right-of-return assets	**1,303**	13,248
	247,113	192,517
Impairment allowance	**–**	(13,213)
Total	**247,113**	179,304

As at 31 December 2023, the balance due from the Group's associate included in the prepayments was RMB4,000 (2022: RMB4,000).

During the year, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	1,363,857	2,227,362
Time deposits	426	76,298
Restricted deposits	7,430	10,767
Subtotal	1,371,713	2,314,427
Less:		
Restricted deposits for custom duties	–	(10,000)
Restricted deposits for operating leases	(789)	(767)
Restricted deposits for operating activity of a subsidiary	(6,641)	–
Subtotal	(7,430)	(10,767)
Cash and cash equivalents as stated in the consolidated statement of financial position	1,364,283	2,303,660
Less:		
Non-pledged time deposit with original maturity of three months or more when acquired	–	(6,000)
Cash and cash equivalents as stated in the consolidated statement of cashflow	1,364,283	2,297,660
Denominated in RMB (note)	660,983	1,097,543
Denominated in other currencies	710,730	1,216,884
Total	1,371,713	2,314,427

Note:

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 authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. Long-term time deposits are with an original maturity over one year when acquired. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

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25. TRADE PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	1,040,677	1,340,970

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

	2023 RMB'000	2022 RMB'000
Within 1 month	863,196	955,278
1 to 3 months	133,620	255,950
Over 3 months	43,861	129,742
Total	1,040,677	1,340,970

The trade payables are non-interest-bearing and are normally settled on 30-90 day terms.

26. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000
Salaries and welfare payables		261,764	208,272
Accruals		1,122,435	971,927
Other tax payables		122,510	140,983
Other payables	(a)	154,307	121,646
Refund liabilities	(b)	561,164	761,715
Total		2,222,180	2,204,543
Less: Current portion		(2,216,061)	(2,199,256)
Non-current portion		6,119	5,287

Notes:

(a) Other payables are non-interest-bearing and have an average term of three months.

(b) Details of refund liabilities are as follows:

	2023 RMB'000	2022 RMB'000
Sales rebate	556,511	717,609
Sales return	4,653	44,106
Total	561,164	761,715

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27. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Advances from customers	200,461	266,613	264,215

Contract liabilities represented the obligations to transfer goods to customers for which the Group has received consideration. Included in contract liabilities are advances received from customers.

28. DERIVATIVE FINANCIAL INSTRUMENTS

		2023		2022	
	Notes	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Current					
Early redemption option embedded in the senior notes	(a)	769	–	–	–
The Swaps (as defined below)	(b)	–	64,666	–	–
The CCSs (as defined below)					
– designated as hedge	(c)	–	8,341	8,936	–
– not designated as hedge	(c)	158	30,917	–	–
Total		927	103,924	8,936	–
Non-current					
Early redemption option embedded in the senior notes	(a)	14,355	–	13,760	–
The Swaps (as defined below)	(b)	10,413	–	76,790	1,531
The CCSs (as defined below)					
– designated as hedge	(c)	23,289	22,311	37,531	139,971
– not designated as hedge	(c)	–	28,335	–	42,247
Total		48,057	50,646	128,081	183,749

Notes:

(a) An early redemption option is embedded in the senior notes, details of which are set out in note 30 to the financial statements. The fair value of the early redemption option as at 31 December 2023 was RMB15,124,000 (2022: RMB13,760,000). A fair value loss of RMB14,852,000 was charged to profit or loss for the year (2022: a loss of RMB1,178,000).

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(b) Cash flow hedges

As at 31 December 2023 and 2022, the Group had certain cross currency interest rate swaps and cross currency swaps (collectively, the "**Swaps**") to hedge its exposure arising from bank borrowings carried at floating rates and denominated in foreign currencies. Under the Swaps, the Group agreed with the counterparties to exchange, at specified interval, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts in specified currencies.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the Swaps match the term of the term loans denominated in USD. The cash flow hedge relating to the expected interest and principal payments was assessed to be highly effective. The net fair value of the Swaps as at 31 December 2023 was negative of RMB54,253,000 (2022: a positive of RMB75,259,000). A loss of RMB80,489,000 (2022: a gain of RMB324,640,000) was included in the cash flow hedge reserve and a gain of the ineffective portion of RMB85,000 was recognised in profit or loss for the year (2022: a gain of RMB3,537,000).

Hedge ineffectiveness can arise from:

- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(b) Cash flow hedges (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount USD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000
As at 31 December 2023				
Swaps A	**171,513**	**10,413**	**Derivative financial instruments assets**	**10,076**
Swaps B	**179,733**	**(64,666)**	**Derivative financial instruments (liabilities)**	**(62,579)**
As at 31 December 2022				
Swaps A	517,917	76,790	Derivative financial instruments assets	78,138
Swaps B	150,000	(1,531)	Derivative financial instruments (liabilities)	(1,472)

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(b) Cash flow hedges (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Carrying amount RMB'000	Change in fair value used for measuring ineffectiveness RMB'000	Cash flow hedge reserve RMB'000
As at 31 December 2023			
USD interest-bearing bank loans	**2,509,670**	**(63,804)**	**2,000**
As at 31 December 2022			
USD interest-bearing bank loans	5,208,022	78,169	54,671

The effects of the cash flow hedge on the statement of profit or loss and other comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in profit or loss
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	RMB'000		Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	
Year ended 31 December 2023									
USD interest-bearing bank loans	**(80,489)**	**27,521**	**(52,968)**	**85**	**Other expense**	**425**	**(128)**	**297**	**Finance costs/ other expense**
Year ended 31 December 2022									
USD interest-bearing bank loans	324,640	(93,870)	230,770	3,537	Other expense	(258,594)	88,395	(170,199)	Finance costs/ other expense

(c) Hedges of net investments in foreign operations

As at 31 December 2023 and 31 December 2022, the Company had certain cross currency swap and cross currency interest rate swap agreements (the "**CCSs**") to hedge its exposure of foreign currency risks arising from its investment in mainland China and Australia. Under the CCSs, the Company agreed with the counterparties to exchange, at specified interval, the difference between fixed contract rates and fixed or floating-rate interest amounts calculated by reference to the agreed notional amounts in the specified currencies.

For the CCSs designated as hedging instruments, there is an economic relationship between the hedge item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the CCSs. The Company has established a hedge ration of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investments in the foreign subsidiaries becomes lower than the amount of the CCSs.

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(c) Hedges of net investments in foreign operations (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount USD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000
As at 31 December 2023				
CCSs A	**179,800**	**(22,311)**	**Derivative financial instruments (liabilities)**	**(16,291)**
CCSs B	**50,000**	**(8,341)**	**Derivative financial instruments (liabilities)**	**(21,313)**
CCSs C	**321,000**	**23,289**	**Derivative financial instruments assets**	**22,546**
As at 31 December 2022				
CCSs A	225,000	(139,971)	Derivative financial instruments (liabilities)	(177,631)
CCSs B	50,000	8,936	Derivative financial instruments assets	12,305
CCSs C	321,000	37,531	Derivative financial instruments assets	37,217

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(c) Hedges of net investments in foreign operations (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring Ineffectiveness RMB'000	Exchange fluctuation reserve RMB'000
As at 31 December 2023		
Net investments in foreign subsidiaries	**(23,839)**	**(204,567)**
As at 31 December 2022		
Net investments in foreign subsidiaries	(52,455)	(245,912)

During the year, in respect of the CCSs designated as hedging instruments, a net gain of RMB41,345,000 (2022: a net gain of RMB62,220,000) arising from the changes in fair value was included in exchange fluctuation reserve and a net gain of RMB66,251,000 (2022: a net gain of RMB18,523,000) was recognised in profit or loss. For the CCSs not designated as hedging instruments, a net loss of RMB26,554,000 (2022: a net gain of RMB6,361,000) was recognised in profit or loss during the year.

29. INTEREST-BEARING BANK LOANS

	31 December 2023			31 December 2022		
	Effective interest rate (%)**	Maturity*	RMB'000	Effective interest rate (%)**	Maturity	RMB'000
Current						
Secured bank loan	–	–	–	HIBOR+margin	Jun-23	113,166
Secured bank loan	–	–	–	SOFR+margin	Jun-23	275,512
Secured bank loan	–	–	–	HIBOR+margin	Dec-23	167,753
Secured bank loan	–	–	–	SOFR+margin	Dec-23	410,811
Secured bank loan*	HIBOR+margin	Jun-24	219,539	–	–	–
Secured bank loan*	SOFR+margin	Jun-24	538,074	–	–	–
Secured bank loan*	HIBOR+margin	Dec-24	850,875	–	–	–
Secured bank loan*	SOFR+margin	Dec-24	2,093,341	–	–	–
Unsecured bank loan	LPR+margin	Mar-24	50,537	–	–	–
Unsecured bank loan	LPR+margin	Sep-24	50,000	–	–	–
Unsecured bank loan (note (c))	LPR+margin	Mar-25	50,053	–	–	–
Unsecured bank loan (note (c))	LPR+margin	Sep-25	10,011	–	–	–
Unsecured bank loan (note (c))	LPR+margin	Nov-25	335,358	–	–	–
Secured bank loan	LPR+margin	Sep-24	90,108	–	–	–
Unsecured bank loan	LPR+margin	Jun-24	1,011	–	–	–
Unsecured bank loan	LPR+margin	Dec-24	1,000	–	–	–
Total – current			4,289,907			967,242
Non-current						
Secured bank loan	–	–	–	HIBOR+margin	Jun-24	225,663
Secured bank loan	–	–	–	SOFR+margin	Jun-24	539,536
Secured bank loan	–	–	–	HIBOR+margin	Dec-24	846,237
Secured bank loan	–	–	–	SOFR+margin	Dec-24	2,023,260
Secured bank loan*	HIBOR+margin	Jun-25	932,382	HIBOR+margin	Jun-25	902,652
Secured bank loan*	SOFR+margin	Jun-25	2,214,538	SOFR+margin	Jun-25	2,158,143
Secured bank loan	LPR+margin	Sep-25	10,052	–	–	–
Unsecured bank loan	LPR+margin	Jun-25	1,002	–	–	–
Unsecured bank loan	LPR+margin	Dec-25	1,002	–	–	–
Unsecured bank loan	LPR+margin	Jun-26	1,002	–	–	–
Unsecured bank loan	LPR+margin	Dec-26	5,010	–	–	–
Total – non-current			3,164,988			6,695,491
Total			7,454,895			7,662,733

29. INTEREST-BEARING BANK LOANS (CONTINUED)

	2023 RMB'000	2022 RMB'000
Analysed into:		
Within one year or on demand	**4,289,907**	967,242
In the second year	**3,158,976**	3,634,696
In the third to fifth years, inclusive	**6,012**	3,060,795
Total	**7,454,895**	7,662,733

* The secured bank loans shall become due in full if the 2024 Notes (as defined in note 30) have not been repaid or otherwise refinanced, refunded, replaced, exchanged, renewed, redeemed, defeased, discharged, or extended, in full on or prior to the date falling 3 months prior to the maturity of the 2024 Notes.

** HIBOR stands for the Hong Kong InterBank Offered Rate

SOFR stands for the Secured Overnight Financing Rate

LPR stands for the Loan Prime Rate

Notes:

(a) As at 31 December 2023 and 2022, certain of the Group's interest-bearing bank loans are guaranteed on a joint and several basis by the Company and certain of the Company's subsidiaries and are secured by fixed and floating charges over present and future assets of the Company and certain of its subsidiaries and assignments over the Company's and certain of its subsidiaries' rights to their material contracts and insurance policies. In addition, certain subsidiaries' shares are also pledged.

(b) Certain of the Group's interest-bearing bank loans are subject to the fulfilment of certain covenants relating to limitations on indebtedness. The Company regularly monitors its compliance with these covenants.

(c) As at 31 December 2023, a PRC subsidiary of the Group was not meeting with certain undertaking requirement as stipulated in the agreement of an onshore interest-bearing bank loan amounting to RMB495,959,000. Besides the portion of balance repayable within 12 months, the remaining balance of RMB395,422,000, which are repayable beyond 12 months, has been accounted for as current liabilities. A waiver has been obtained subsequent to the end of the reporting period.

(d) As at 31 December 2023, the Group's interest-bearing bank loans were denominated in USD, HKD and RMB at aggregate amounts of RMB4,845,953,000 (2022: RMB5,407,262,000), RMB2,002,796,000 (2022: RMB2,255,471,000) and RMB606,146,000 (2022: Nil), respectively.

30. SENIOR NOTES

On 24 October 2019, the Company issued senior notes due 24 October 2024 with an aggregate principal amount of USD300,000,000 and coupon interest rate of 5.625% per annum (the "**2024 Notes**"). The Company repurchased the 2024 Notes with an aggregate principal amount of USD29,844,000 from the open market prior to 31 December 2022.

On 26 June 2023, the Company issued new senior notes due 26 June 2026 with an aggregate principal amount of USD200,000,000 and coupon interest rate of 13.5% per annum (the "**2026 Notes**"), among which, USD141,793,000 were issued for exchange of the 2024 Notes and USD58,207,000 (approximately RMB403,322,000) were newly issued.

During the year, the Company repurchased the 2024 Notes and the 2026 Notes with an aggregate principal amount of USD68,211,000 (approximately RMB483,118,000) and USD20,200,000 (approximately RMB143,071,000), respectively, from the open market.

30. SENIOR NOTES (CONTINUED)

The 2024 Notes and the 2026 Notes are both listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The 2024 Notes are jointly and severally guaranteed, on a senior subordinated basis, by certain subsidiaries of the Company, and are secured on a second-ranking basis by a floating charge over the assets of the Company (other than any assets located in the PRC or shares of subsidiaries). The 2026 Notes are jointly and severally guaranteed, on a senior basis, by certain subsidiaries of the Company. The 2026 Notes and the Group's subsidiary guarantees are secured on a first-ranking basis, by floating charges over all or substantially all assets of the Company and its initial subsidiary guarantors (in each case other than any assets located in the PRC or shares of subsidiaries in the PRC that will not secure the 2026 Notes) and pledges/charges over shares of the initial subsidiary guarantors, namely H&H China and Biostime Health.

Pursuant to their terms, the 2024 Notes and 2026 Notes are subject to the fulfilment of covenants relating to limitations on indebtedness and certain transactions of the Company and certain of its subsidiaries. The Company regularly monitors its compliance with these covenants.

The Company may redeem part or all of the senior notes at certain time and certain redemption prices as specified in the terms of the senior notes.

As at 31 December 2023, the fair value of the early redemption option embedded in the senior notes amounted to RMB15,142,000 (31 December 2022: RMB13,760,000), details of which are set out in note 28(a) to the financial statements.

The movements of the senior notes during the years ended 31 December 2022 and 2023 are set out below:

	RMB'000
At 1 January 2022	1,938,452
Partial repurchase of the senior notes	(183,209)
Net gain on partial repurchase of the senior notes (note 5)	(25,204)
Interest charged during the year	109,087
Interest paid during the year	(112,767)
Exchange realignment	179,200
At 31 December 2022 and 1 January 2023	**1,905,559**
Partial repurchase of the senior notes	**(599,642)**
Gain on partial repurchase of the senior notes (note 5)	**(20,803)**
Gain on exchange of senior notes	**(31,548)**
Upon the completion of the issuance of senior notes	
Proceeds received	**407,985**
Transaction cost incurred	**(37,290)**
Early redemption option embedded in senior notes	**16,399**
Interest charged during the year	**168,888**
Interest paid during the year	**(172,349)**
Exchange realignment	**23,401**
At 31 December 2023	**1,660,600**
Less: Current portion	**(432,237)**
Non-current portion	**1,228,363**

31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2023 and 2022 are as follows:

Deferred tax assets

	Provision for impairment of assets RMB'000	Accrued liabilities and future deductible expenses RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Tax losses recognised RMB'000	Cash flow hedges RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023 (Restated)	24,434	404,737	85,421	68,039	–	24,888	50,454	657,973
Credited/(charged) to profit or loss for the year (note 9)	35,797	(20,098)	(41,972)	107,507	(11,642)	(2,776)	(10,544)	56,272
Deferred tax credit to equity during the year	–	–	–	–	27,393	–	–	27,393
Exchange realignment	–	771	–	2,211	525	378	479	4,364
Gross deferred tax assets at 31 December 2023	60,231	385,410	43,449	177,757	16,276	22,490	40,389	746,002
At 31 December 2021	2,942	431,498	68,303	80,090	4,721	–	15,292	602,846
Effect of adoption of amendments to IAS 12 (note 2.2(c))	–	(2,811)	–	–	–	20,874	–	18,063
At 1 January 2022 (Restated)	2,942	428,687	68,303	80,090	4,721	20,874	15,292	620,909
Credited/(charged) to profit or loss for the year (note 9)	21,492	(24,647)	17,118	(15,231)	156	3,715	34,509	37,112
Deferred tax charged to equity during the year	–	–	–	–	(5,475)	–	–	(5,475)
Exchange realignment	–	697	–	3,180	598	299	653	5,427
Gross deferred tax assets at 31 December 2022 (Restated)	24,434	404,737	85,421	68,039	–	24,888	50,454	657,973

31. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Withholding tax on distributable profits of subsidiaries in the PRC RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Cash flow hedges RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023 (Restated)	**16,930**	**45,996**	**741,933**	**23,037**	**20,173**	**8,535**	**856,604**
Charged/(credited) to profit or loss for the year (note 9)	**85,371**	**(23,396)#**	**36,222**	**(23,695)**	**(1,969)**	**1,168**	**73,701**
Exchange realignment	**719**	**183**	**18,344**	**658**	**285**	**682**	**20,871**
Gross deferred tax liabilities at 31 December 2023	**103,020**	**22,783**	**796,499**	**–**	**18,489**	**10,385**	**951,176**
At 31 December 2021	171	61,864	756,532	–	–	7,565	826,132
Effect on adoption of amendments to IAS 12 (note 2.2(c))	–	–	–	–	18,063	–	18,063
At 1 January 2022 (Restated)	171	61,864	756,532	–	18,063	7,565	844,195
Charged/(credited) to profit or loss for the year (note 9)	16,754	(16,017)#	(29,148)	22,255	1,888	963	(3,305)
Exchange realignment	5	149	14,549	782	222	7	15,714
Gross deferred tax liabilities at 31 December 2022 (Restated)	16,930	45,996	741,933	23,037	20,173	8,535	856,604

The amount represented a deferred tax provision of RMB22,128,000 (2022: RMB31,713,000) on the distributable profits of the Company's subsidiaries in mainland China after offsetting the realised deferred tax liabilities of RMB45,524,000 (2022: RMB47,730,000) arising from dividends declared by these subsidiaries to their foreign investors during the year.

31 December 2023

31. DEFERRED TAX (CONTINUED)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position at 31 December	**580,624**	637,800
Net deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	**(785,798)**	(836,431)
Total	**(205,174)**	(198,631)

Deferred tax assets of RMB27,255,000 (2022: RMB36,667,000) have not been recognised in respect of tax losses of the Group as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

	2023	2022
Authorised:		
10,000,000,000 (2022: 10,000,000,000) ordinary shares of HKD0.01 each	**HKD100,000,000**	HKD100,000,000
Issued and fully paid:		
645,561,354 (2022: 645,561,354) ordinary shares of HKD0.01 each	**HKD6,455,614**	HKD6,455,614
Equivalent to	**RMB5,519,000**	RMB5,519,000

32. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HKD'000	Equivalent to RMB'000
At 1 January 2022	645,211,045	6,452	5,516
Share options exercised (note)	350,309	4	3
At 31 December 2022 and 31 December 2023	**645,561,354**	**6,456**	**5,519**

Note:

During the year ended 31 December 2022, the subscription rights attaching to 350,309 share options were exercised at the subscription prices of HKD 15.58 per share, resulting in the issue of 350,309 ordinary shares for a total cash consideration, before expenses, of HKD5,458,000 (equivalent to approximately RMB4,875,000).

Share options

Details of the Company's share option schemes and the share options exercised under the schemes are included in note 33 to the financial statements.

33. SHARE OPTION SCHEMES

There are two valid share option schemes adopted by the Company on 25 November 2010 (the "**2010 Share Option Scheme**") and 8 May 2020 (the "**2020 Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The 2010 Share Option Scheme expired on 24 November 2020, and no further options shall be offered under the 2010 Share Option Scheme but in all other respects the provisions of the 2010 Share Option Scheme shall remain in full force and effect and options granted thereunder prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue. The 2020 Share Option Scheme will remain in force for ten years from 8 May 2020.

In respect of the 2020 Share Option Scheme, as same with the subscription price of options under the 2010 Share Option Scheme, the exercise price of the share options is determined by the board of directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

(i) Movements in share options

Movements in the number of share options outstanding and their related weighted average exercise prices are set out below:

31 December 2023

	2010 Share Option Scheme		2020 Share Option Scheme		
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	Total number of options '000
At 1 January 2023	29.76	6,719	31.78	4,924	11,643
Granted during the year	–	–	10.05	1,680	1,680
Forfeited during the year	29.18	(486)	13.08	(4,588)	(5,074)
Expired during the year	15.58	(25)	–	–	(25)
At 31 December 2023	29.86	6,208	31.78	2,016	8,224

33. SHARE OPTION SCHEMES (CONTINUED)

(i) Movements in share options (continued)

31 December 2022

	2010 Share Option Scheme		2020 Share Option Scheme		
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	Total number of options '000
At 1 January 2022	30.34	13,043	31.80	10,435	23,478
Forfeited during the year	32.20	(5,814)	31.82	(5,511)	(11,325)
Exercised during the year	15.58	(350)	–	–	(350)
Expired during the year	19.72	(160)	–	–	(160)
At 31 December 2022	29.76	6,719	31.78	4,924	11,643

No share options were exercised during the year (2022: a total of 350,309 share options were exercised).

Share option reserve of RMB5,620,000 related to the forfeited or expired shares that have been vested was transferred to retained profits during the year (2022: RMB25,370,000).

During the year, the Group reversed share option expenses related to forfeited shares that have not been vested of RMB17,359,000 (2022: RMB64,773,000).

(ii) Outstanding share options

The exercise prices and exercise periods of the share options outstanding under the 2010 Share Option Scheme and the 2020 Share Option Scheme as at 31 December 2023 and 2022 are as follows:

33. SHARE OPTION SCHEMES (CONTINUED)

(ii) Outstanding share options (continued)

2010 Share Option Scheme

31 December 2023 Number of options '000	31 December 2022 Number of options '000	Exercise price* HKD per share	Exercise period
322	360	15.580	1-4-18 to 1-4-24
388	450	15.580	1-4-19 to 1-4-25
54	54	21.050	1-4-18 to 1-4-24
36	36	21.050	1-4-19 to 1-4-25
24	26	20.920	1-4-18 to 1-4-24
15	19	20.920	1-4-19 to 1-4-25
13	13	23.300	1-4-17 to 1-4-23
16	18	23.300	1-4-18 to 1-4-24
23	33	23.300	1-4-19 to 1-4-25
122	144	25.750	1-4-18 to 1-4-24
126	148	25.750	1-4-19 to 1-4-25
150	150	25.750	1-4-20 to 1-4-26
19	19	22.150	1-4-18 to 1-4-24
24	25	22.150	1-4-19 to 1-4-25
3,762	4,036	29.250	1-4-21 to 1-4-27
27	27	47.100	1-4-19 to 1-4-25
–	13	47.100	1-4-21 to 1-4-27
117	117	60.020	1-4-21 to 1-4-27
147	147	59.050	1-4-21 to 1-4-27
–	39	47.270	1-4-21 to 1-4-27
114	114	49.150	1-4-21 to 1-4-27
300	300	49.150	1-4-22 to 1-4-28
59	81	45.790	1-4-21 to 1-4-27
350	350	26.10	1-4-22 to 1-4-28
6,208	6,719		

33. SHARE OPTION SCHEMES (CONTINUED)

(ii) Outstanding share options (continued)

2020 Share Option Scheme

31 December 2023 Number of options '000	31 December 2022 Number of options '000	Exercise price* HKD per share	Exercise period
1,810	1,884	31.88	1-4-22 to 1-4-28
–	2,450	31.88	1-4-24 to 1-4-30
206	214	31.02	1-4-22 to 1-4-28
–	376	31.02	1-4-24 to 1-4-30
2,016	4,924		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At 31 December 2023, the share options outstanding under the 2010 Share Option Scheme and the 2020 Share Option Scheme were divided into two to three tranches at their respective grant dates. Generally, the first tranche vests one year after the grant date while the remaining tranches vest in the subsequent two to three years. There is a six-year exercise period for each share option granted under the 2010 Share Option Scheme and the 2020 Share Option Scheme.

The exercise in full of the outstanding share options under the two share option schemes would, under the present capital structure of the Company, result in the issue of 8,224,000 additional ordinary shares of the Company and additional share capital of HKD82,000 (equivalent to approximately RMB75,000) and share premium of HKD249,390,000 (equivalent to approximately RMB226,002,000) (before issue expenses).

Subsequent to the end of the reporting period, no share options were forfeited and exercised, respectively. At the date of approval of these financial statements, the Company had 8,224,000 share options outstanding under the two share option schemes, which represented approximately 1.3% of the Company's shares in issue as at that date.

33. SHARE OPTION SCHEMES (CONTINUED)

(iii) Fair value of the share options

The directors of the Company used Hull-White model to determine the fair value of the share options as at the grant date, which is to be expensed over the relevant vesting period. 1,680,000 share options were granted in the year ended 31 December 2023 (2022: Nil), and the weighted average fair value of the share options granted to directors was HKD2.20 (equivalent to RMB2.01) per share.

Other than the exercise price disclosed above, significant judgement on parameters, such as dividend yield, expected volatility and risk-free interest rate, are required to be made by the directors in applying the Hull White model, which are summarised below:

	2023		2022	
	Options granted to directors	**Options granted to other employees**	Options granted to directors	Options granted to other employees
Dividend yield (%)	**–**	**8.27**	–	–
Expected volatility (%)	**–**	**48.31**	–	–
Risk-free interest rate (%)	**–**	**3.66**	–	–

34. SHARE AWARD SCHEMES

The board of directors of the Company approved a share award scheme (the "**2022 Share Award Scheme**") on 11 January 2022, from when the 2022 Share Award Scheme will remain in force for ten years unless otherwise cancelled or amended. The purposes of the 2022 Share Award Scheme are to recognise the contributions by certain employees of the Company or of any subsidiary and to give incentives thereto in order to retain and motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group, by providing them with the opportunity to acquire equity interests in the Company.

Subject to the terms of the 2022 Share Award Scheme and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the board of directors may at any time make an offer to any eligible person it may in its absolute discretion select to accept the grant of an award over such number of shares as it may determine.

Shares may be acquired by the independent trustee (the "**Trustee**") by way of (i) allotment and issue of new ordinary shares by the Company pursuant to the relevant general mandate or specific mandate granted to the Board by the shareholders of the Company in general meetings of the Company from time to time; or (ii) purchase of ordinary shares in the open market by the Trustee.

During the year, no ordinary shares were purchased on the open market of the HKSE for the 2022 Share Award Scheme (2022: 6,536,500 ordinary shares of the Company were purchased for the 2022 Share Award Scheme at a total consideration of HKD75,757,000 (equivalent to approximately RMB61,776,000)).

34. SHARE AWARD SCHEMES (CONTINUED)

Summary of particulars of the shares granted under the 2022 Share Award Scheme (the "**Awarded Shares**") during the year is as follows:

					Number of Awarded Shares		
Date of grant	Number of Outstanding Awarded Shares as at 31 December 2022	Shares newly granted during the year	Fair value HKD	Vesting date	Vested during the year	Forfeited during the year	Outstanding Awarded Shares at 31 December 2023
2022/4/8	1,721,057	–	19,947,000	2023/4/1	(1,721,057)	–	–
2022/4/8	1,118,631	–	12,551,000	2024/4/1	–	(103,050)	1,015,581*
2022/4/8	1,491,519	–	16,123,000	2025/4/1	–	(137,400)	1,354,119*
2022/12/14	111,000	–	1,548,000	2024/4/1	–	(111,000)	–
2022/12/14	148,000	–	1,985,000	2025/4/1	–	(148,000)	–
2023/9/5	–	242,000	2,294,000	2024/4/1	–	(210,000)	32,000*
2023/9/5	–	678,000	5,810,000	2025/4/1	–	(630,000)	48,000*
	4,590,207	920,000	60,258,000		(1,721,057)	(1,339,450)	2,449,700

* Among these Awarded Shares granted, 1,603,692 of the Awarded Shares were granted to the executive directors and non-executive directors.

The Group recognised a share award expense of RMB13,571,000 during the year (2022: RMB20,231,000) in relation to the 2022 Share Award Scheme.

1,721,057 shares for the 2022 Share Award Scheme were awarded upon vesting during the year. The difference of the fair values and the costs related to the vested Awarded Shares, amounted to RMB17,594,000 and RMB16,474,000, respectively, was transferred to retained profits during the year.

The directors of the Company determine the fair value of the share awards as at the grant date, which is measured at the market price of the entity's shares, adjusted by the present value of the expected dividends per share during the vesting period. Significant judgement on parameters, such as share price at grant date, and risk-free interest rate, are required to be made by the directors to measure the fair value of the awarded shares.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 94 and 95 of the financial statements.

The Group's contributed surplus represents the excess of the previous nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation over the previous nominal value of the Company's shares issued and cash consideration paid in exchange therefor.

The Group's capital surplus represents 1% of the equity in Biostime Health contributed by Biostime Pharmaceuticals (China) Limited, the ultimate shareholder, during the year ended 31 December 2009 when Biostime Health became a wholly-owned subsidiary of the Group.

In accordance with the Company Law of the People's Republic of China, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB34,921,000 (2022: RMB45,315,000) and RMB34,921,000 (2022: RMB45,315,000), respectively, in respect of lease arrangements for buildings, vehicles and office equipment.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

2023

	Derivative financial instruments RMB'000	Interest-bearing bank loans RMB'000	Senior notes RMB'000	Lease liabilities RMB'000
At 1 January 2023	183,749	7,662,733	1,905,559	101,143
Changes from financing cash flows	(20,064)	(1,060,304)	(401,296)	(36,315)
New leases	–	–	–	34,921
Early termination of leases	–	–	–	(1,544)
Recognition of early redemption option embedded in senior notes	–	–	16,399	–
Total gains recognised in profit or loss	(30,847)	–	(52,351)	–
Total gains recognised in other comprehensive income	48,200	–	–	–
Derecognition	(29,762)	–	–	–
Interest expense	–	632,447	168,888	6,270
Exchange realignment	3,294	220,019	23,401	2,583
At 31 December 2023	154,570	7,454,895	1,660,600	107,058

2022

	Derivative financial instruments RMB'000	Interest-bearing bank loans RMB'000	Senior notes RMB'000	Interest payables# RMB'000	Lease liabilities RMB'000
At 1 January 2022	430,802	7,436,831	1,938,452	7,609	102,582
Changes from financing cash flows	(29,485)	(858,336)	(295,976)	(33,845)	(40,976)
New leases	–	–	–	–	45,315
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	–	–	(305)
Early termination of leases	–	–	–	–	(12,548)
Total (gains)/losses recognised in profit or loss	(20,797)	31,851	(25,204)	–	–
Total gains recognised in other comprehensive income	(234,130)	–	–	–	–
Interest expense	–	386,978	109,087	28,127	6,100
Exchange realignment	37,359	665,409	179,200	(1,891)	975
At 31 December 2022	183,749	7,662,733	1,905,559	–	101,143

Included in other payables and accruals

31 December 2023

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within financing activities	**36,315**	40,976

37. PLEDGE OF ASSETS

Details of the Group's bank loans and senior notes, which are secured by the assets of the Group, are included in notes 29 and 30 to the financial statements, respectively.

38. COMMITMENTS

(a) The Group had the following contractual commitments at the end of the reporting periods:

	2023 RMB'000	2022 RMB'000
Intangible assets	**7,802**	12,072
Property, plant and equipment	**10,612**	3,807
Total	**18,414**	15,879

(b) There were no lease contracts that have not yet commenced as at 31 December 2023 and 2022.

39. RELATED PARTY BALANCES AND TRANSACTIONS

The Group had the following material transactions with related parties during the year:

(a) Related party transactions

During the year there was no transaction with an associate, while during the year 2022, the Group purchased finished goods from an associate of the amount of RMB2,636,000, which was conducted in accordance with mutually agreed terms.

(b) Material outstanding balances with related parties

Details of the Group's prepayments balances with an associate as at the end of the reporting period are disclosed in note 23 to the financial statements.

(c) Compensation of key management personnel of the Group

In addition to the amounts paid to the Company's directors as disclosed in note 8(a), compensation of other key management personnel of the Group is as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	56,710	52,465
Pension scheme contributions	1,147	360
Reversal of equity-settled share option expense	(6,254)	(15,171)
Equity-settled share award expense	7,492	9,865
Termination benefits	6,662	3,909
Total compensation paid to key management personnel	65,757	51,428

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

2023

Financial assets

	Notes	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income – Equity investments	Financial assets at amortised cost	Total
		Designated as such upon initial recognition	Mandatorily designated as such			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bonds receivable	17	–	–	–	78,592	78,592
Trade and bills receivables	22	–	–	–	1,060,254	1,060,254
Financial assets included in prepayments, other receivables and other assets		–	–	–	106,409	106,409
Derivative financial instruments	28	–	48,984	–	–	48,984
Restricted deposits	24	–	–	–	7,430	7,430
Cash and cash equivalents	24	–	–	–	1,364,283	1,364,283
Other non-current financial assets	20	66,368	120,510	15,480	–	202,358
Total		66,368	169,494	15,480	2,616,968	2,868,310

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	25	–	1,040,677	1,040,677
Financial liabilities included in other payables and accruals		–	1,276,742	1,276,742
Derivative financial instruments	28	154,570	–	154,570
Interest-bearing bank loans	29	–	7,454,895	7,454,895
Senior notes	30	–	1,660,600	1,660,600
Lease liabilities	13	–	107,058	107,058
Total		154,570	11,539,972	11,694,542

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2022

Financial assets

	Notes	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income – Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
		Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000			
Bonds receivable	17	–	–	–	74,229	74,229
Trade and bills receivables	22	–	–	–	769,051	769,051
Financial assets included in prepayments, other receivables and other assets		–	–	–	56,261	56,261
Derivative financial instruments	28	–	137,017	–	–	137,017
Restricted deposits	24	–	–	–	10,767	10,767
Cash and cash equivalents	24	–	–	–	2,303,660	2,303,660
Other non-current financial assets	20	46,439	106,649	41,929	–	195,017
Total		46,439	243,666	41,929	3,213,968	3,546,002

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	25	–	1,340,970	1,340,970
Financial liabilities included in other payables and accruals		–	1,093,573	1,093,573
Derivative financial instruments	28	183,749	–	183,749
Interest-bearing bank loans	29	–	7,662,733	7,662,733
Senior notes	30	–	1,905,559	1,905,559
Lease liabilities	13	–	101,143	101,143
Total		183,749	12,103,978	12,287,727

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Financial assets				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	15,124	13,760	15,124	13,760
– The Swaps	10,571	76,790	10,571	76,790
– The CCSs	23,289	46,467	23,289	46,467
Other non-current financial assets	202,358	195,017	202,358	195,017
Total	251,342	332,034	251,342	332,034
Financial liabilities				
Derivative financial instruments				
– The Swaps	(64,666)	(1,531)	(89,904)	(1,531)
– The CCSs	(89,904)	(182,218)	(64,666)	(182,218)
Senior notes	(1,660,600)	(1,905,559)	(1,653,606)	(1,627,580)
Total	(1,815,170)	(2,089,308)	(1,808,176)	(1,811,329)

Management has assessed that the fair values of cash and cash equivalents, restricted deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and lease liabilities (current) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the financial assets and liabilities are included at the amount at which the instrument 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:

(a) The fair values of bonds receivables, lease liabilities (non-current) and the interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for lease liabilities (non-current) and interest-bearing loans, and the suppliers' non-performance risk for bonds receivable as at 31 December 2023 were assessed to be insignificant.

(b) The financial assets of unlisted equity investments at fair value through profit or loss included in the other non-current financial assets are measured using the market approach using significant unobservable market inputs.

(c) The financial assets of other unlisted investments at fair value through profit or loss included in the other non-current financial assets are measured using valuation technique of the discounted cash flow model.

(d) The fair values of equity investments designed at fair value through other comprehensive income included in the other non-current financial assets are based on quoted market prices or the recent transaction price method using significant unobservable market inputs.

(e) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including the Swaps and the CCSs, are measured using discounted cash flow models. The valuation techniques used both observable and unobservable market inputs. The fair values of the Swaps and the CCSs were the same as their carrying amounts.

(f) The derivative financial instrument arising from the early redemption option embedded in the senior notes is measured using the valuation technique of discounted cash flow model using significant unobservable market inputs.

(g) The fair value of the senior notes is based on the quoted market price provided by a leading global financial market data provider.

The fair value of the senior notes is based on the quoted market price provided by a leading global financial market data provider.

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Other non-current financial assets – other unlisted investment	Discounted cash flow model	Discount rate	2023: 2.18% to 2.22% (2022: 3.61% to 3.69%)	1% (2022: 1%) increase in discount rate would result in decrease in fair value by RMB99,000 (2022: RMB194,000) 1% (2022: 1%) decrease in discount rate would result in increase in fair value by RMB106,000 (2022: RMB191,000)
Other non-current financial assets – investment in Arla	Recent transaction price method	Recent transaction price	Not applicable	Not applicable
Other non-current financial assets – the unlisted equity investment	Market approach	Enterprise value-to-sales ratio	2023: 2.99 to 3.05 (2022: 3.22 to 3.28)	1% (2022: 1%) increase in enterprise value-to-sales ratio would result in increase in fair value by RMB694,000 (2022: RMB251,000) 1% (2022: 1%) decrease in enterprise value-to-sales ratio would result in decrease in fair value by RMB687,000 (2022: RMB244,000)

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument – the CCSs (USD/RMB)	Discounted cash flow model	Discount rate – receive leg	2023: 3.50% to 5.63% (2022: 3.95% to 5.07%)	1% (2022: 1%) increase in discount rate would result in decrease in fair value by RMB1,498,000 (2022: RMB1,824,000)
				1% (2022: 1%) decrease in discount rate would result in increase in fair value by RMB1,500,000 (2022: RMB1,826,000)
		Discount rate – pay leg	2023: 2.50% to 3.04% (2022: 1.66% to 2.24%)	1% (2022: 1%) increase in discount rate would result in increase in fair value by RMB895,000 (2022: RMB951,000)
				1% (2022: 1%) decrease in discount rate would result in decrease in fair value by RMB895,000 (2022: RMB951,000)
Derivative financial instrument – the CCSs (USD/AUD)	Discounted cash flow model	Discount rate – receive leg	2023: 3.49% to 5.41% (2022: 3.70% to 4.87%)	1% (2022: 1%) increase in discount rate would result in increase in fair value by RMB688,000 (2022: RMB1,356,000)
				1% (2022: 1%) decrease in discount rate would result in decrease in fair value by RMB689,000 (2022: RMB1,358,000)
		Discount rate – pay leg	2023: 3.71% to 4.33% (2022: 3.25% to 4.37%)	1% (2022: 1%) increase in discount rate would result in decrease in fair value by RMB532,000 (2022: RMB1,233,000)
				1% (2022: 1%) decrease in discount rate would result in increase in fair value by RMB534,000 (2022: RMB1,235,000)

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument – the Swaps (USD/HKD)	Discounted cash flow model	Discount rate – receive leg	2023: 3.50% to 5.41% (2022: 3.95% to 5.07%)	1% (2022: 1%) increase in discount rate would result in decrease in fair value by RMB459,000 (2022: RMB247) 1% (2022: 1%) decrease in discount rate would result in increase in fair value by RMB459,000 (2022: RMB247)
		Discount rate – pay leg	2023: 3.32% to 5.12% (2022: 3.57% to 4.73%)	1% (2022: 1%) increase in discount rate would result in increase in fair value by RMB426,000 (2022: RMB413,000) 1% (2022: 1%) decrease in discount rate would result in decrease in fair value by RMB427,000 (2022: RMB413,000)
Derivative financial instrument – the Swaps (USD/AUD)	Discounted cash flow model	Discount rate – receive leg	2023: 5.35% to 5.45% (2022: 4.26% to 4.34%)	1% (2022: 1%) increase in discount rate would result in decrease in fair value by RMB159,000 (2022: RMB834,000) 1% (2022: 1%) decrease in discount rate would result in increase in fair value by RMB161,000 (2022: RMB843,000)
		Discount rate – pay leg	2023: 4.30% to 4.38% (2022: 3.19% to 3.25%)	1% (2022: 1%) increase in discount rate would result in increase in fair value by RMB15,818,000 (2022: RMB7,103,000) 1% (2022: 1%) decrease in discount rate would result in decrease in fair value by RMB16,148,000 (2022: RMB7,225,000)
Derivative financial instrument – early redemption option embedded in the senior notes	Discounted cash flow model	Discount rate	2023: 8.61% to 14.86% (2022: 4.48%)	1% (2022: 1%) increase in discount rate would result in increase in fair value by RMB3,806,000 (2022: RMB3,577,000) 1% (2022: 1%) decrease in discount rate would result in decrease in fair value by RMB3,822,000 (2022: RMB3,589,000)

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2023				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	**–**	**–**	**15,124**	**15,124**
– The Swaps	**–**	**–**	**10,571**	**10,571**
– The CCSs	**–**	**–**	**23,289**	**23,289**
Other non-current financial assets	**14,174**	**–**	**188,184**	**202,358**
Total	**14,174**	**–**	**237,168**	**251,342**
As at 31 December 2022				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	13,760	13,760
– The Swaps	–	–	76,790	76,790
– The CCSs	–	–	46,467	46,467
Other non-current financial assets	40,691	–	154,326	195,017
Total	40,691	–	291,343	332,034

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**291,343**	272,404
Addition	**16,399**	3,438
Derecognition	**(48,533)**	(85,913)
Net settlement	**(59,065)**	(59,341)
Total gains/(losses) charged to profit or loss	**22,257**	(19,997)
Total gains recognised in equity	**9,124**	152,730
Exchange realignment	**5,643**	28,022
At 31 December	**237,168**	291,343

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2023				
Derivative financial instruments				
– The CCSs	**–**	**–**	**89,904**	**89,904**
– The Swaps	**–**	**–**	**64,666**	**64,666**
Total	**–**	**–**	**154,570**	**154,570**
As at 31 December 2022				
Derivative financial instruments				
– The CCSs	–	–	182,218	182,218
– The Swaps	–	–	1,531	1,531
Total	–	–	183,749	183,749

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**183,749**	430,802
Derecognition	**(29,762)**	–
Net settlement	**(20,064)**	(29,485)
Total gains charged to profit or loss	**(30,847)**	(20,797)
Total gains/(losses) recognised in equity	**48,200**	(234,130)
Exchange realignment	**3,294**	37,359
At 31 December	**154,570**	183,749

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, interest-bearing bank loans, and senior notes. 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 trade and bills receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including the foreign currency contracts, the Swaps and the CCSs. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

In respect of the floating interest rate instruments, the Group is subject to the cash flow interest rate risk, while for the fixed interest rate instruments, the Group is subject to fair value interest rate risk.

To manage the interest rate risk arising from the floating interest rate instruments, the Group has entered into the Swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At as 31 December 2023, after taking into account the effect of the Swaps, approximately 55% (2022: 53%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax by assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000
Year ended 31 December 2023	**50**	**(15,670)**
Year ended 31 December 2023	**(50)**	**15,670**
Year ended 31 December 2022	50	(18,274)
Year ended 31 December 2022	(50)	18,274

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases or financing by operating units in currencies other than the units' functional currencies. Approximately 2% (2022: 3%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 78% (2022: 68%) of costs were denominated in currencies other than the units' functional currencies. Certain operating units of the Group use forward currency contracts to eliminate the foreign currency exposures. The Group also has certain bank balances denominated in AUD, HKD, USD and EUR. In addition, the Group has investments denominated in AUD, USD and EUR, and issued senior notes in USD. Also, the Group has certain bank loans which are denominated in USD and HKD.

During the year, the Group has hedged 100% (2022: 100%) of its foreign currency exposure from its interest-bearing bank borrowings. The Group has used the Swaps to reduce the exposure to foreign currency risk arising from the borrowings.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of RMB and AUD against each of the following currencies, with all other variables held constant, of the Group's profit before tax (arising from USD and EUR denominated financial instruments).

	Increase/(decrease) in USD/EUR rates %	Increase/ (decrease) in profit before tax RMB'000
2023		
If the RMB weakens against the USD	5	10,952
If the RMB strengthens against the USD	(5)	(10,952)
If the RMB weakens against the EUR	5	5,353
If the RMB strengthens against the EUR	(5)	(5,353)
If the AUD weakens against the USD	5	2,244
If the AUD strengthens against the USD	(5)	(2,244)
If the AUD weakens against the EUR	5	–
If the AUD strengthens against the EUR	(5)	–

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/(decrease) in USD/EUR rates %	Increase/ (decrease) in profit before tax RMB'000
2022		
If the RMB weakens against the USD	5	2,152
If the RMB strengthens against the USD	(5)	(2,152)
If the RMB weakens against the EUR	5	3,503
If the RMB strengthens against the EUR	(5)	(3,503)
If the AUD weakens against the USD	5	5,433
If the AUD strengthens against the USD	(5)	(5,433)
If the AUD weakens against the EUR	5	1,213
If the AUD strengthens against the EUR	(5)	(1,213)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

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 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Bonds receivable#	**78,592**	**–**	**78,592**
Trade receivables*	**–**	**1,066,700**	**1,066,700**
Bills receivable#	**19,284**	**–**	**19,284**
Financial assets included in prepayments, other receivables and other assets#	**106,409**	**–**	**106,409**
Restricted deposits	**7,430**	**–**	**7,430**
Cash and cash equivalents	**1,364,283**	**–**	**1,364,283**
Total	**1,575,998**	**1,066,700**	**2,642,698**

As at 31 December 2022

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Bonds receivable#	74,229	–	74,229
Trade receivables*	–	747,762	747,762
Bills receivable#	47,538	–	47,538
Financial assets included in prepayments, other receivables and other assets#	56,261	–	56,261
Restricted deposits	10,767	–	10,767
Cash and cash equivalents	2,303,660	–	2,303,660
Total	2,492,455	747,762	3,240,217

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

The credit quality of bonds receivable, bills receivable and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2023

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	43,861	996,816	–	–	–	1,040,677
Financial liabilities included in other payables and accruals	1,276,742	–	–	–	–	1,276,742
Derivative financial instruments	–	(17,577)	51,145	(22,939)	–	10,629
Interest-bearing bank loans	–	164,472	4,226,799	3,704,869	–	8,096,140
Senior notes	–	–	721,995	1,674,418	–	2,396,413
Lease liabilities	–	10,628	31,883	56,356	11,446	110,313
Total	1,320,603	1,154,339	5,031,822	5,412,704	11,446	12,930,914

2022

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	1,322,549	18,421	–	–	1,340,970
Financial liabilities included in other payables and accruals	1,093,573	–	–	–	–	1,093,573
Derivative financial instruments	–	–	24,769	132,727	–	157,496
Interest-bearing bank loans	–	101,390	1,280,914	7,274,978	–	8,657,282
Senior notes	–	–	105,836	1,987,364	–	2,093,200
Lease liabilities	–	6,086	18,258	87,795	797	112,936
Total	1,093,573	1,430,025	1,448,198	9,482,864	797	13,455,457

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy liabilities to assets ratio in order to support its business and maximise 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 adjust the dividend payment to shareholders, 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 during the years ended 31 December 2023 and 2022.

The Group monitors capital using the liabilities to assets ratio, which is total liabilities divided by total assets. The liabilities to assets ratios as at the end of the reporting periods are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Total liabilities	**13,746,746**	14,821,172
Total assets	**20,041,970**	20,963,025
Liabilities to assets ratio	**69%**	71%

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,941,382**	13,763,758
Due from subsidiaries	**1,590,880**	1,648,756
Deferred tax assets	**384**	379
Derivative financial instruments	**37,644**	51,290
Deposits	**–**	2,101
Intangible assets	**2,843**	–
Total non-current assets	**15,573,133**	15,466,284
CURRENT ASSETS		
Prepayments, deposits and other receivables	**8,804**	5,269
Derivative financial instruments	**927**	8,937
Due from subsidiaries	**695,678**	8,490,812
Loans to subsidiaries	**1,076,280**	904,587
Cash and cash equivalents	**69,133**	518,989
Total current assets	**1,850,822**	9,928,594
CURRENT LIABILITIES		
Trade payables	**4,935**	25,991
Due to subsidiaries	**1,664,197**	10,226,838
Other payables and accruals	**77,337**	41,811
Tax payable	**2,178**	2,147
Interest-bearing bank loans	**2,227,820**	584,082
Senior notes	**432,237**	19,411
Derivative financial instruments	**39,258**	–
Total current liabilities	**4,447,962**	10,900,280
NET CURRENT LIABILITIES	**(2,597,140)**	(971,686)
TOTAL ASSETS LESS CURRENT LIABILITIES	**12,975,993**	14,494,598
NON-CURRENT LIABILITIES		
Derivative financial instruments	**50,646**	183,749
Senior notes	**1,228,363**	1,886,148
Interest-bearing bank loans	**1,936,892**	4,099,892
Total non-current liabilities	**3,215,901**	6,169,789
Net assets	**9,760,092**	8,324,809
EQUITY		
Issued capital	**5,519**	5,519
Reserves (note)	**9,652,979**	8,098,573
Proposed dividend	**101,594**	220,717
Total equity	**9,760,092**	8,324,809

Luo Fei
Director

Wang Yidong
Director

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	688,995	(1)	3,260,270	192,751	–	(684,418)	4,345,267	7,802,864
Total comprehensive income for the year	–	–	–	–	–	851,589	(94)	851,495
Shares issued for the equity-settled share option arrangements	5,996	–	–	(1,124)	–	–	–	4,872
Equity-settled option arrangements	–	–	–	(64,773)	–	–	–	(64,773)
Equity-settled share award arrangements	–	–	–	–	20,231	–	–	20,231
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	(25,370)	–	–	25,370	–
Shares purchased for the 2022 Share Award Scheme	–	(61,776)	–	–	–	–	–	(61,776)
Final 2021 and interim 2022 dividend declared	–	–	–	–	–	–	(233,623)	(233,623)
Proposed final 2022 dividend	–	–	–	–	–	–	(220,717)	(220,717)
At 31 December 2022 and 1 January 2023	**694,991**	**(61,777)**	**3,260,270**	**101,484**	**20,231**	**167,171**	**3,916,203**	**8,098,573**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**375,620**	**1,758,773**	**2,134,393**
Equity-settled option arrangements	**–**	**–**	**–**	**(17,359)**	**–**	**–**	**–**	**(17,359)**
Equity-settled share award arrangements	**–**	**16,474**	**–**	**–**	**(4,023)**	**–**	**1,120**	**13,571**
Transfer of share option reserve upon the forfeiture or expiry of share options	**–**	**–**	**–**	**(5,620)**	**–**	**–**	**5,620**	**–**
Final 2022 and interim 2023 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**(474,605)**	**(474,605)**
Proposed final 2023 dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(101,594)**	**(101,594)**
At 31 December 2023	**694,991**	**(45,303)**	**3,260,270**	**78,505**	**16,208**	**542,791**	**5,105,517**	**9,652,979**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, pursuant to the reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium account and contributed surplus are distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

44. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

FIVE **YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2019	2020	2021	2022	**2023**
Results					
Revenue	10,925,217	11,194,679	11,547,825	12,775,914	**13,926,470**
Gross profit	7,228,541	7,186,991	7,247,982	7,703,488	**8,294,256**
Profit before tax	1,565,200	1,604,660	850,213	1,030,931	**933,602**
Income tax expenses	(560,151)	(467,966)	(341,729)	(419,148)	**(351,757)**
Profit for the year	1,005,049	1,136,694	508,484	611,783	**581,845**
Earnings per share attributable to ordinary equity holders of the parent (RMB)					
For profit for the year					
– Basic	1.57	1.77	0.79	0.96	**0.91**
– Diluted	1.55	1.76	0.79	0.95	**0.90**

	2019	2020	2021	2022	**2023**
Asset and Liabilities					
Non-current assets	10,663,772	12,249,872	14,768,283	15,103,606	**14,908,570**
Current assets	5,197,601	4,968,553	5,513,464	5,859,419	**5,133,400**
Current Liability	(3,203,050)	(3,277,701)	(6,821,933)	(5,134,883)	**(8,441,189)**
Non-current liabilities	(7,064,517)	(7,738,037)	(7,574,628)	(9,686,289)	**(5,305,557)**
Total Equity	5,593,806	6,202,687	5,885,186	6,141,853	**6,295,224**

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