



2024 INTERIM REPORT 中期報告

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)



Contents

Corporate Information	2
Financial Highlights	4
Chairman's Statement	5
Management Discussion and Analysis	11
Corporate Governance and Other Information	20
Report on Review of Interim Condensed Consolidated Financial Statements	35
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	37
Interim Condensed Consolidated Statement of Financial Position	38
Interim Condensed Consolidated Statement of Changes in Equity	40
Interim Condensed Consolidated Statement of Cash Flows	42
Notes to Interim Condensed Consolidated Financial Statements	44

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

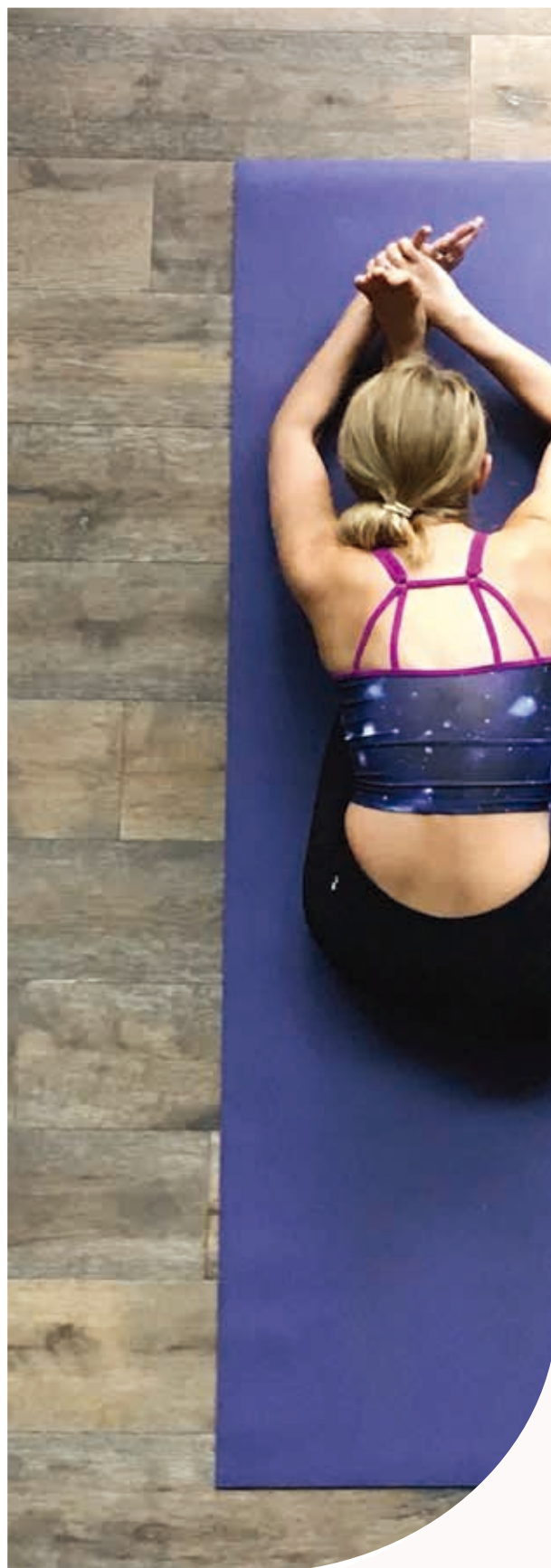
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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



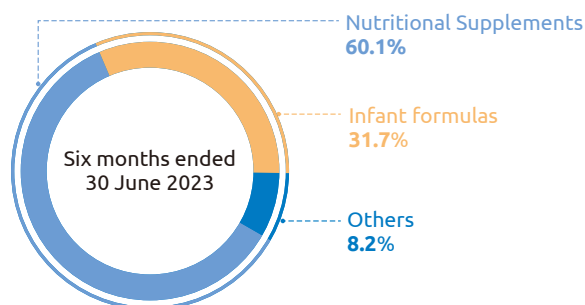
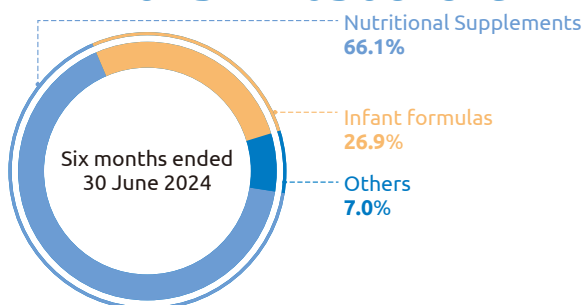
Financial Highlights

	Six months ended 30 June		Change
	2024 RMB million	2023 RMB million	
Revenue	6,692.1	6,980.8	-4.1%
Gross profit	4,072.3	4,262.4	-4.5%
EBITDA*	1,098.4	1,397.9	-21.4%
Adjusted EBITDA*	1,139.8	1,309.5	-13.0%
Adjusted EBITDA margin	17.0%	18.8%	-1.8pts
Net profit	305.8	608.0	-49.7%
Adjusted net profit**	347.2	513.4	-32.4%
Adjusted net profit margin	5.2%	7.4%	-2.2pts

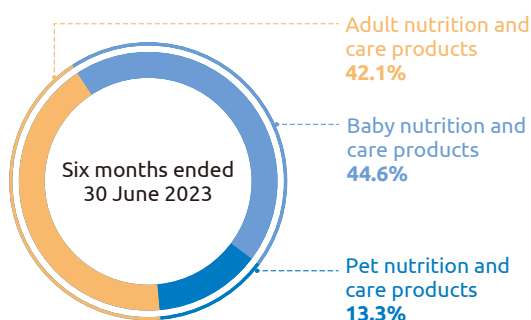
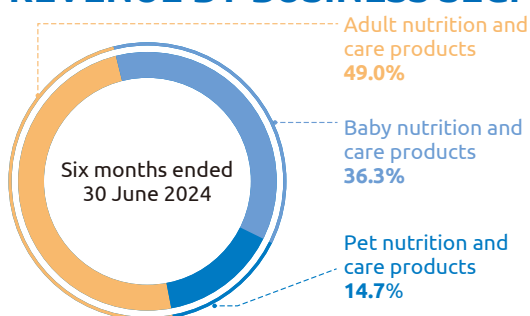
* EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA = EBITDA – Non-cash gains of RMB5.5 million for the six months ended 30 June 2024 (six months ended 30 June 2023: gains of RMB88.4 million) + Non-recurring losses of RMB46.9 million for the six months ended 30 June 2024 (six months ended 30 June 2023: nil)

** Adjusted net profit = Net profit + EBITDA adjustment items of losses of RMB41.4 million for the six months ended 30 June 2024 (six months ended 30 June 2023: gains of RMB88.4 million) – Other non-cash gains of nil for the six months ended 30 June 2024 (six months ended 30 June 2023: gains of RMB6.2 million)

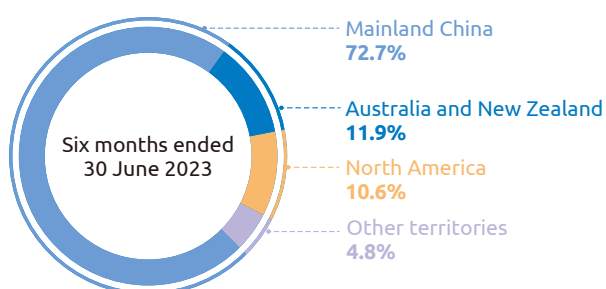
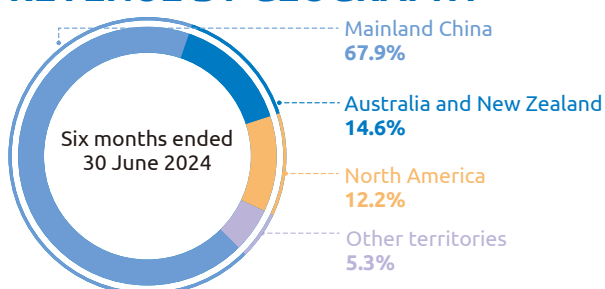
REVENUE BY PRODUCT SEGMENT



REVENUE BY BUSINESS SEGMENT



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 interim report for the six months ended 30 June 2024.

The first half of the year was a challenging period for the Group. Despite a decline in revenue on a reported and like-for-like ("**LFL**") basis, primarily due to the downturn in the infant milk formulas ("**IMF**") segment, leading to a decrease in net profit, we made substantial progress towards achieving our main goals for the year, including:

- Driving healthy growth levels and market share gains in areas where we see the highest margins, especially for the fast-growing nutritional supplements¹ ranges within our three strategic business pillars – Adult Nutrition and Care ("**ANC**"), Baby Nutrition and Care ("**BNC**") and Pet Nutrition and Care ("**PNC**") – which now account for 66.1% of our total revenue;
- Continuing to win in core: with our ANC business growing by low-teens, led its enduring strength in mainland China and Australia and New Zealand ("**ANZ**"), while expanding the distribution and positioning of our PNC business in North America;
- Expanding our market share in the mainland China IMF market in line with our long-term strategy, with Biostime ascending to the No. 3 position in the overall super-premium IMF segment, despite IMF segment recording a double-digit decline due to longer-than-expected competitive intensity and market-wide promotional activity in Mainland China;
- Delivering a consistent level of profitability across all business segments; and
- Diversifying our sources of funding and optimising our capital structure, while bolstering our inventory management to improve our working capital. The decline in the Group's reported net profit is primarily due to reduced BNC segment sales, one-time restructuring costs for Solid Gold's product portfolio premiumisation and channel optimisation in North American; and increased finance costs.

In the first half of 2024, the Group continued to advance its sustainability agenda, emphasising employee well-being and community impact. H&H Group in Australia maintained its Great Place to Work certification for the fourth consecutive year, while H&H Singapore earned recognition as a Company of Good – 1 Heart for its significant societal and environmental contributions. These accomplishments reinforced our commitment to fostering an inclusive, supportive workplace culture and driving positive change in our communities.

Finally, I am pleased to announce an interim dividend of HKD0.30 per ordinary share, consistent with previous years. Our ability to simultaneously sustain our growth and profitability levels, strengthen our capital structure, deliver sustained returns to shareholders, while have a positive impact on people and the environment, remains essential for pushing forward with our journey towards becoming a global leader in premium family nutrition and wellness with a well-formed offering of superior products and aspirational brands.

¹ Nutritional supplements include Biostime probiotic supplements, Biostime paediatric products, Swisse vitamin, herbal and mineral supplement ("**VHMS**") products, and Solid Gold and Zesty Paws pet supplements.

Chairman's Statement

ADULT NUTRITION AND CARE

Our ANC segment delivered double-digit growth, in line with our expectations, against a high base following a one-off surge in demand post-COVID in the first half of last year. This growth rate masked the level of robust demand for health supplements we are continuing to see across all regions. Further, we outperformed the growth of the overall market, especially in mainland China where we continued to strategically align with evolving consumer preferences with successful product launches in innovative categories, in line with our PPAE (Premium, Proven, Aspirational and Engaging) model.

In mainland China, Swisse grew by high-single digit with improved profitability and an expanded market share, driven by robust consumer demand for beauty, multi-vitamins and detox products, as well as new product launches within innovative categories. We continued to capitalise on consumer segmentation and penetration, further extending Swisse's product portfolio into Swisse Plus+, Swisse Me and Little Swisse as part of its mega-brand strategy to better capture demand for premium nutritional products from different consumer audiences.

Importantly, Swisse Plus+, with its higher profitability, made a double-digit contribution to total ANC revenue in mainland China, growing by 48.7%. In addition, Swisse Plus+ maintained its leading position in the overall anti-aging category and continued to hold significant market share, while Swisse Liver Cleanse continued to sustain its leading position in the high-end thistle segment in mainland China e-commerce market.

As Swisse delivered on its strategy, sales in the cross-border e-commerce ("CBEC") channel grew by 12.2%, contributing 78.1% of our mainland China ANC revenue. Sales in the normal trade channel slightly declined by 2.1% due to a high base and lower traffic in the pharmacy channel. This saw Swisse strengthen its status as the No. 1 brand in the mainland China online VHMS market², while its rising market share elevated it to the No. 2 position in the overall VHMS market³.

In ANZ, our second largest market by revenue, we sustained a healthy double-digit growth rate, maintaining its No. 1 position in the overall Australian VHMS market⁴, even as industry growth began to normalise. Our continued growth was led by our ongoing product innovation and premiumisation efforts in the domestic channel, especially around our Swisse gummies range which currently holds a No. 2 market share of 15.6%⁵. Swisse has been honoured as the Most Trusted Vitamin Brand for 2024, as part of the highly recognised Reader's Digest Trusted Brands Australia Awards. This recognition underscores Swisse's unwavering commitment to quality, innovation, building and maintaining consumer trust.

² According to research statistics by Early Data, an independent data provider, market share data for the past twelve months ended 30 June 2024.

³ According to research statistics by Kantar Worldpanel, an independent research company, market share data for the past twelve months ended 30 June 2024.

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 ended 30 June 2024.

⁵ According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 30 June 2024.

Chairman's Statement

In other territories, Hong Kong SAR and Italy, our most profitable expansion markets, contributed strong growth, while our newer expansion markets including Thailand, India and the Middle East also grew robustly. We maintained our high market share rankings in several of these markets, including No. 1 market position in the beauty VHMS, liver health and men's health markets in Singapore⁶ and No. 2 market position beauty VHMS markets in Italy⁷.

BABY NUTRITION AND CARE

Our BNC segment performed below expectations as our IMF business in mainland China faced stronger and more sustained headwinds than initially expected. While the long-term systemic issues facing all players in the IMF industry remain prevalent, the market has struggled to clear old 'GB approved' stock, resulting in longer-than-expected competitive intensity and discounting activity. This, in turn, impacted our sell-in rates and our profitability in the first half of the year despite the pace of decline significantly narrowing quarter by quarter.

Despite these ongoing challenges, we continued to push forward with our strategy of expanding our market share. We had considerable success, ascending to the No. 3 market share position in the overall super-premium IMF segment in mainland China⁸, extending our market share in this segment from 11.7% to 13.0%.

We believe this strategy will bear better fruit in the coming years, especially after the industry moves past the 'new GB standards' transition and as more players exit the market. Indeed, there are some tentative signs that the industry decline is bottoming out, with some e-commerce platforms reporting an uptick in IMF product sales for babies aged 0-6 months during the recent 618 shopping festival. In the meantime, we will continue to and acquire new customers and invest in consumer education to drive awareness and future growth.

Sales of our high-margin paediatric probiotic and nutritional supplements in mainland China fell by 32.0% due to a high base effect following a one-off surge in demand for probiotics in the first half of last year and lower traffic in the pharmacy channel. Beneath this, overall demand for probiotics remains solid although constrained by low birthrates.

Moreover, we saw some significant pockets of growth in other parts of this category, with sales of paediatric nutritional supplements growing by 113.0% and contributing 12.2% of total paediatric probiotic and nutritional supplements sales in mainland China, driven by increasing demand, particularly for our innovative products such as calcium, DHA and gummies that support the physical and mental well-being of children. These product innovations further strengthened Biostime's No. 1 position in paediatric probiotics in mainland China⁹.

⁶ According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁷ According to research statistics by IMS IQVIA, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁸ According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁹ According to research statistics by Kantar Worldpanel, an independent research company, market share data for the past twelve months ended 30 June 2024.

Chairman's Statement

Outside of mainland China, we continued to grow the international presence of our BNC business by building recognition and trust around our 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 40.6% and 43.7%, respectively¹⁰.

PET NUTRITION AND CARE

In North America, the Group's third largest market, we continued to rapidly develop our PNC business, with our Zesty Paws and Solid Gold brands benefiting from the well-established pet nutrition premiumisation and pet humanising trends, as well as the expanding pet population.

Zesty Paws, now one of the most recognised pet supplements brands in the US, continued to grow in the Amazon channel and rapidly expand its offline distribution, expanding into Sam's Club, Costco, Petco and Meijer in the first half of 2024, and building on its earlier expansions into Walmart, Target, PetSmart, CVS and Tractor Supply. While these earlier expansions created a high-base effect for this year, which pushed down the brand's top-line growth rate into the low double-digits, Zesty Paws' broad consumer base and stable market share will continue to drive its future profitable growth.

Meanwhile, sales of Solid Gold in North America increased slightly amid ongoing channel optimisation and portfolio premiumisation efforts aimed at driving the long-term growth of the brand. As of 30 June 2024, Zesty Paws and Solid Gold were present in more than 18,000 stores and 4,800 stores, respectively, across the US.

In mainland China, we are undertaking a similar strategy, with sales of PNC segment declining by 14.8% in the first half of the year as we premiumise the brand through channel optimisation and reallocate resources into categories with higher margins to improve profitability. One notable example was the launch of Solid Gold fish oil in March 2024, which has allowed us to tap a higher-value section of the market. Amidst the restructuring, Solid Gold maintained its No. 2 position in mainland China's online premium cat dry food category¹¹, with distribution reaching over 10,000 pet stores and pet hospitals in the offline Chinese market as of 30 June 2024.

¹⁰ According to research statistics by GERS, an independent research company, market share data for the past twelve months ended 30 June 2024.

¹¹ According to research statistics by SmartPath, an independent research company, market share data for the past twelve months ended 30 June 2024.

Chairman's Statement

OPTIMISING OUR CAPITAL STRUCTURE

In the first half of 2024, we undertook several important steps to diversify our sources of funding, reduce our leverage and optimise our capital structure. This included successfully completing a RMB bond tap of RMB500 million and a USD bond tap of USD120 million, and voluntarily prepaying USD235 million of our existing USD term loan. We also obtained substantial credit commitments in the form of RMB and USD loans ahead of the refinancing of the existing USD term loan.

In July 2024, we completed a CNH term loan facility drawdown equivalent to USD150 million, and we further voluntarily prepaid USD168 million of our existing USD term loan. The two voluntary prepayments reduced the outstanding balance to USD581 million, which is scheduled to mature in June 2025. Further, we obtained commitments from several Chinese and international banks for a USD560 million refinancing facility to be drawn in the near future.

The successful refinancing keeps us on the steady path of reducing net leverage and effectively managing risk on our balance sheet. As of 30 June 2024, our cash balance stood at RMB2.4 billion, reflecting the healthy level of cash conversion inherent across our business. We remain on track to deleverage our balance sheet in the coming years and well-positioned to cope with greater exchange rate fluctuations and a higher interest rate environment.

OUTLOOK: STABLE TOP-LINE GROWTH AND PROFITABILITY AMID CONTINUOUS DELEVERAGING

As we head into the second half of 2024, we will continue to drive the growth of our high-margin fast-growing nutritional supplements across our regions. This will continue to drive similar double-digit growth levels in our ANC business, especially in mainland China and Asian markets, as growth in the ANZ market normalises.

Within our BNC business, the growth of our innovated nutritional supplements products and a weakening base effect will help our paediatric probiotic and nutritional supplements return to growth, helping to offset some of the ongoing weakness in our IMF business, which will now likely see a continued sales decline in the second half of the year amid market-wide high channel inventory levels and aggressive promotional activities amidst contracting market.

For our PNC business, we will continue to expand Zesty Paws' market position in North America, while continuing to pursue expansion opportunities in the UK, Europe and Asia. Meanwhile, the short-term performance of Solid Gold will continue to be impacted by the continued optimisation of its product portfolio and channel in North America and mainland China, which the restructuring of business is expected to be completed in 2024.

In addition to these operational trends, we had successfully completed the major refinancing exercises planned for 2024. We expect to see a continued gradual deleveraging trend in our net leverage ratio through to the end of the year. With our high cash generating business model, we are also confident about our ability to further improve our balance sheet over the next two years.

Chairman's Statement

ACKNOWLEDGEMENTS

On 1 October 2024, we will undertake the first scheduled alternation of CEO of the Group, a position currently held by Mr. Akash Bedi, regional CEO of North America, Europe, Middle East and India, who sits alongside myself, the chief financial and operating officer and the chief people officer in the Group's CEO Office. On this date, Mr. Nick Mann, regional CEO of Asia, Australia and New Zealand will take Mr. Bedi's place as CEO of the Group for a period of nine months.

I would like to thank Mr. Bedi for his leadership and insight over the first nine months of our new rotating CEO arrangement and look forward to having him back at the helm soon. At the same time, I look forward to the fresh perspectives and experience that Mr. Mann will bring to the CEO Office during his upcoming nine-month tenure as CEO of the Group.

Looking ahead to the rest of 2024, I am optimistic about our prospects and our ability to further build on the achievements we have realised already this year. I am also confident that we will continue to deliver for all our stakeholders, while helping people all around the world become healthier and happier.

Luo Fei

Chairman

Hong Kong, 27 August 2024

Management Discussion and Analysis

RESULTS OF OPERATION

Revenue

For the six months ended 30 June 2024, the Group's revenue decreased by 4.1% on reported basis or 4.5% on a like-for-like¹ ("LFL") basis to RMB6,692.1 million as compared with the same period in 2023, mainly due to the decline in IMF sales following the transition to new 'GB approved' IMF ranges. Revenue from high-margin and fast-growing nutritional supplements² across all of the Group's three business segments achieved year-on-year growth of 5.0% on a LFL basis and contributed to 66.1% of the Group's total revenue for the six months ended 30 June 2024.

	Six months ended 30 June				2024 % to revenue	2023 % to revenue
	2024 RMB million	2023 RMB million	Reported Change	LFL Change		
Revenue by product segment						
Nutritional Supplements	4,425.2	4,192.3	5.6%	5.0%	66.1%	60.1%
– VHMS products	3,258.2	2,876.7	13.3%	13.0%	48.7%	41.2%
– Paediatric probiotic and nutritional supplements	508.6	743.6	-31.6%	-31.6%	7.6%	10.7%
– Pet supplements	658.4	572.0	15.1%	12.3%	9.8%	8.2%
Infant formulas	1,798.4	2,213.7	-18.8%	-18.8%	26.9%	31.7%
Others ³	468.5	574.8	-18.5%	-19.2%	7.0%	8.2%
Revenue by business segment						
Adult nutrition and care products	3,275.6	2,938.2	11.5%	11.2%	49.0%	42.1%
Baby nutrition and care products	2,431.5	3,115.9	-22.0%	-22.0%	36.3%	44.6%
Pet nutrition and care products	985.0	926.7	6.3%	4.1%	14.7%	13.3%
Revenue by geography						
Mainland China	4,541.4	5,076.1	-10.5%	-10.5%	67.9%	72.7%
ANZ	975.9	829.6	17.6%	16.9%	14.6%	11.9%
North America	815.8	736.5	10.8%	8.1%	12.2%	10.6%
Other territories	359.0	338.6	6.0%	5.6%	5.3%	4.8%
Total	6,692.1	6,980.8	-4.1%	-4.5%	100.0%	100.0%

¹ Like-for-like ("LFL") basis is used to indicate change of this period compared with same period of previous year, excluding the impact from foreign exchange changes.

² Nutritional supplements include Biostime probiotic supplements, Biostime paediatric products, Swisse VHMS products and pet supplements under Zesty Paws and Solid Gold brands.

³ Others include pet food from Solid Gold, baby food and snacks from Good Goût, baby accessories from Dodie and other skincare products.

Management Discussion and Analysis

Mainland China: Narrowed decline in BNC segment offsets stable growth in ANC segment

Revenue from mainland China recorded an year-on-year decrease of 10.5% to RMB4,541.4 million for the six months ended 30 June 2024. The decrease was mainly due to a double-digit decrease in BNC and PNC segment, which was partially offset by a stable single-digit growth in ANC segment. On reported basis, revenue from mainland China accounted for 67.9% of the Group's total revenue for the six months ended 30 June 2024, compared with 72.7% in the same period of last year.

Revenue from ANC segment in mainland China maintained a stable growth of 8.8% as compared with the same period of last year, and accounted for 64.9% of the Group's total ANC revenue for the six months ended 30 June 2024. The growth was mainly driven by the robust consumer demand for beauty, multi-vitamins and detox products, as well as the continued strong growth of innovative categories such as the Swisse Plus+ range. Revenue from the premium Swisse Plus+ range contributed to a double-digit percentage of ANC revenue in mainland China market. For the twelve months ended 30 June 2024, Swisse continued to maintain its No.1 position in mainland China's online VHMS market with a market share of 7.9%⁴.

In BNC segment of mainland China, total revenue decreased by 23.2% to RMB2,240.2 million for the six months ended 30 June 2024, comparing with the same period of last year. Within BNC segment, the revenue from IMF in mainland China for the six months ended 30 June 2024 recorded a year-on-year decline of 19.0% to RMB1,732.4 million, even though the pace of decline significantly narrowed from Q1 to Q2 2024. The decrease mainly resulted from (i) the ongoing systemic challenges faced by the entire IMF industry in mainland China, and the continued competitive intensity following the new 'GB standards' transition; and (ii) the longer than expected time to deplete old 'GB approved' IMF stocks in channels that led to a lower sell-in.

For the six months ended 30 June 2024, the Group recorded revenue from paediatric probiotic and nutritional supplements in mainland China of RMB500.6 million, decreasing by 32.0% compared with the six months ended 30 June 2023. The decline was mostly attributed to the high base effect following a one-off surge in demand for probiotics in the same period of last year. However, the decline was partially offset by the strong sales growth of paediatric nutritional supplements, thanks to the increasing consumer demand and the launch of new innovative products including probiotic gummies, DHA and calcium that support the physical and mental wellbeing of children. According to Kantar, Biostime is the No. 1 paediatric probiotics in mainland China⁵.

Revenue from PNC segment in mainland China declined by 14.8% to RMB174.3 million for the six months ended 30 June 2024 as compared with the same period of last year. The decline was mainly due to the product portfolio premiumisation and channel optimisation exercises to drive long-term profitability. Amidst the restructuring, Solid Gold maintained its No. 2 position in mainland China's online premium cat dry food category⁶, with distribution reaching over 10,000 pet stores and pet hospitals in the offline Chinese market as of 30 June 2024. As of 30 June 2024, the Group has obtained 40 product licenses issued by Ministry of Agriculture in mainland China, which supported the growth in the normal trade channel.

⁴ According to research statistics by Early Data, an independent data provider, market share data for the past twelve months ended 30 June 2024.

⁵ According to research statistics by Kantar Worldpanel, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁶ According to research statistics by SmartPath, an independent research company, market share data for the past twelve months ended 30 June 2024.

Management Discussion and Analysis

ANZ: Double-digit growth year-on-year and increased market share in the domestic market

On a LFL basis, revenue from ANZ market increased by 16.9% year-on-year to AUD207.3 million for the six months ended 30 June 2024, contributing 14.6% 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) the continued increasing contribution from products in high growth formats, including gummies range which currently holds a No. 2 market share of 15.6%⁷; and (iii) the strong corporate daigou sales growth. Swisse maintained its No. 1 position in the overall Australian VHMS market⁸.

North America: Positive growth across both PNC brands

For the six months ended 30 June 2024, revenue contributed from North America reached a growth of 8.1% year-on-year on a LFL basis, and accounted for 12.2% of the Group's total revenue. The stable growth was mainly benefited from the well-established pet nutrition premiumization, the pet humanizing trends and the expanding pet population.

Revenue of Zesty Paws achieved strong year-on-year growth of 10.5% on a LFL basis for the six months ended 30 June 2024, thanks to the rapidly expansion of its offline distribution, expanding into Sam's Club, Costco, Petco and Meijer in the first half of 2024, and building on its earlier expansions into Walmart, Target, PetSmart, CVS and Tractor Supply.

Revenue of Solid Gold recorded a slight increase of 0.5% on a LFL basis for the six months ended 30 June 2024 as compared with the same period of last year. The slower year-on-year growth was primarily attributed to the ongoing channel optimisation and portfolio premiumisation efforts aimed at driving the long-term growth of the brand.

Other territories: Strong growth momentum continued in expansion markets

Revenue contributed from other territories increased by 5.6% on a LFL basis for the six months ended 30 June 2024 as compared with the same period of last year. The increase was mainly attributed to robust growth in expansion markets in Italy, Thailand, India and Middle East.

Gross profit and gross profit margin

In the first half of 2024, the Group recorded gross profit of RMB4,072.3 million, representing an decrease of 4.5% as compared with the same period of last year. The Group's gross profit margin decreased slightly from 61.1% in the first half of 2023 to 60.9% in the first half of 2024, mainly due to (i) the one-time stock write-off and provision in relation to the product portfolio premiumisation and channel optimisation exercises for Solid Gold business in North American market; and (ii) the product and market mix changes.

⁷ According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁸ Based on total market unit sales, according to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 30 June 2024.

Management Discussion and Analysis

The gross profit margin of the ANC segment decreased from 67.0% in the first half of 2023 to 64.2% in the first half of 2024, mainly resulting from product mix changes in certain markets and the higher revenue contribution from the new emerging markets. Various effective and timely supply chain optimisation measures helped to mitigate the impact of sourcing cost increase to a large extent.

The gross profit margin of the BNC segment increased from 59.6% in the first half 2023 to 62.1% in the first half of 2024 thanks to the reduction in the one-off stock write-off and provision for the raw material and packaging material of IMF products following the transition of new GB standards.

The gross profit margin of PNC segment decreased from 47.0% in the first half of 2023 to 46.5% in the same period of this year. Excluding the one-time stock write-off and provision of RMB44.3 million for the six months ended 30 June 2024 in relation to the product portfolio premiumisation and channel optimisation exercises for Solid Gold business in North American market, the gross profit margin of PNC segment increased from 47.0% for the six months ended 30 June 2023 to 51.0% for the six months ended 30 June 2024. The increase was mainly due to the favorable product mix towards higher revenue contribution from high-margin nutritional supplements products.

Other income and gains

Other income and gains amounted to RMB118.2 million for the six months ended 30 June 2024. Other income and gains primarily consisted of net fair value gain on the financial instruments of RMB59.1 million, gain on sales of raw materials of RMB37.5 million, bank interest income of RMB6.9 million and others.

The non-cash fair value gain on financial instruments of RMB59.1 million was mainly caused by the cross currency swap and cross currency interest rate swap agreements for the Group's long term debt.

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 slightly by 1.0% to RMB2,564.7 million for the six months ended 30 June 2024, as compared with same period of 2023. Selling and distribution costs excluding D&A as a percentage of the Group's revenue increased from 36.4% in the first half of 2023 to 38.3% in the first half of 2024 mainly due to the unfavourable impact from the double-digit decline of the BNC segment sales.

ANC

Selling and distribution costs of ANC business amounted to RMB1,208.8 million for the six months ended 30 June 2024, represented an increase of 10.7% as compared with the same period of last year. Selling and distribution costs of ANC business as a percentage of the Group's revenue from ANC business decreased from 37.2% in the first half of 2023 to 36.9% in the first half of 2024, 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 increased slightly from 29.7% in the first half of 2023 to 30.0% in the half of 2024. The selling and distribution costs other than advertising and marketing expense of ANC business as a percentage to its revenue decreased from 7.5% in the first half of 2023 to 6.9% in the first half of 2024 resulting from the continuing measures taken in all markets especially in mainland China and ANZ to improve the spending efficiency.

Management Discussion and Analysis

BNC

Selling and distribution costs of BNC business amounted to RMB952.5 million for the six months ended 30 June 2024, represented a decrease of 11.9% as compared with the same period of last year. Selling and distribution costs of BNC business as a percentage of the Group's revenue from BNC business increased from 34.7% in the first half of 2023 to 39.2% in the first half of 2024, mainly resulting from the double-digit decline of the BNC segment sales.

Advertising and marketing expense of BNC business as a percentage of its revenue increased from 10.5% in the first half of 2023 to 12.7% in the first half of 2024. Selling and distribution costs other than advertising and marketing expense of BNC business as a percentage of revenue increased to 26.5% in the first half of 2024 from 24.2% of the same period of last year mainly due to (i) the higher investment required to deplete old 'GB approved' IMF stocks in channels; and (ii) the low base effect following a one-off surge in demand for probiotics in the same period of last year.

PNC

Selling and distribution costs of PNC business increased by 10.3% to RMB403.4 million for the six months ended 30 June 2024, as compared with the same period of last year. Selling and distribution costs of PNC business as a percentage of its revenue increased from 39.5% for the six months ended 30 June 2023 to 41.0% for the same period of 2024, mainly due to the increased investment in channel expansion.

Advertising and marketing expense of PNC business as percentages of its revenue decreased from 13.7% for the six months ended 30 June 2023 to 12.4% for the six months ended 30 June 2024. 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 the first half of 2023 to 28.6% in the first half of 2024. The increase was mainly due to the investment to support channel expansion in both core markets and expansion markets.

Administrative expenses

Administrative expenses decreased by 1.6% from RMB412.4 million for the six months ended 30 June 2023 to RMB405.9 million for the six months ended 30 June 2024. Administrative expenses as a percentage of the Group's revenue increased from 5.9% in the first half of 2023 to 6.1% in the first half of 2024 mainly resulted from the decline of BNC revenue.

Other expenses

Other expenses for the six months ended 30 June 2024 amounted to RMB161.0 million. Other expenses mainly included research and development ("R&D") expenditure of RMB104.0 million, net foreign exchange losses of RMB40.9 million and others.

During the period under review, R&D expenditure increased by 22.5% as compared with the same period of last 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% for the six months end 30 June 2023 to 1.6% for the six months ended 30 June 2024.

The net foreign exchange losses of RMB40.9 million mainly represented non-cash losses from the revaluation on intragroup loans.

Management Discussion and Analysis

EBITDA and Adjusted EBITDA

Adjusted EBITDA decreased by 13.0% to RMB1,139.8 million for the six months ended 30 June 2024, comparing with the six months ended 30 June 2023. Adjusted EBITDA margin for the first half of 2024 decreased from 18.8% for the six months ended 30 June 2023 to 17.0% for the same period of 2024. The decrease in Adjusted EBITDA margin was mainly due to the decline in BNC segment.

EBITDA for the six months ended 30 June 2024 decreased by 21.4% from RMB1,397.9 million for the six months ended 30 June 2023 to RMB1,098.4 million.

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

	Six months ended 30 June 2024 RMB million	2023 RMB million
EBITDA	1,098.4	1,397.9
Reconciled by:		
Non-cash items*:		
(1) Net foreign exchange losses/(gains)	40.9	(49.3)
(2) Net fair value gains on financial instruments	(59.1)	(25.2)
(3) Gain on partial repurchase of senior notes	–	(13.9)
(4) Share of losses of associates	12.7	–
Non-recurring items*:		
(5) One-time restructuring costs in relation to the product portfolio premiumisation and channel optimisation exercises for Solid Gold business in North American market	46.9	–
Adjusted EBITDA	1,139.8	1,309.5

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

Finance costs

During the six months ended 30 June 2024, the Group's finance costs increased by 21.0% from RMB358.0 million for the six months ended 30 June 2023 to RMB433.3 million for the same period in 2024. The finance costs for the six months ended 30 June 2024 included interest on the interest-bearing bank loans, senior notes and guaranteed bonds of RMB429.6 million and others. 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 interest on the interest-bearing bank loans, senior notes and guaranteed bonds was RMB328.9 million for the six months ended 30 June 2024, increased by 4.6% from RMB314.3 million for the same period of last year. The implied annual interest expense margin⁹ (including the benefit of the above-mentioned hedges) was 7.07% for the six months ended 30 June 2024.

⁹ The implied annual interest expense margin is calculated by dividing the annualised normalised interest expense including the benefit of hedge arrangements for the six months ended 30 June 2024 by the outstanding principal as of 30 June 2024 being converted to RMB with a consensus FX rates as the debts' drawdown dates.

Management Discussion and Analysis

On a reported basis, the interest on the interest-bearing bank loans, senior notes and guaranteed bonds for the six months ended 30 June 2024 increased by 18.9% compared with the same period of last year mainly due to the increased base rate following the US Federal Reserve's rate hike, higher coupon rate on the new senior notes due 2026 and the depreciation of RMB against USD.

Income tax expense

Income tax expense decreased from RMB295.1 million for the six months ended 30 June 2023 to RMB218.1 million for the six months ended 30 June 2024. The effective tax rate increased from 32.7% in the first half of 2023 to 41.6% in the first half of 2024, mainly due to (i) the increase in non-deductible interest of the interest-bearing bank loans, senior notes and guaranteed bonds; and (ii) the increased profits derived from the high-tax jurisdictions.

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:

	Six months ended 30 June	
	2024	2023
	RMB million	RMB million
Net profit	305.8	608.0
Reconciled by:		
EBITDA adjusted items as listed above	41.4	(88.4)
Non-cash items*:		
One-off transaction costs, net of gain on exchange of senior notes	—	28.3
One-off amortized gain of interest rate swap for previous term loan	—	(34.5)
Adjusted net profit	347.2	513.4

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

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the six months ended 30 June 2024, the Group recorded net cash generated from operating activities of RMB1,052.5 million, resulting from pre-tax cash from operations of RMB1,224.4 million, minus income tax paid of RMB171.8 million. Pre-tax cash flows mainly benefited from the healthy Adjusted EBITDA and the positive impact from change in working capital. The inventories, net of write-down of inventories to net realisable value, decreased RMB487.0 million mainly attributable to the new GB product launches since the end of last year and the inventory management efficiency improvement for ANC and PNC. The above positive impact was partially offset by (i) the decrease in contract liabilities of RMB148.7 million; (ii) the decrease in other payables and accruals of RMB104.6 million; (iii) the decrease in prepayments, other receivables and other assets of RMB52.3 million; and (iv) the decrease in trade payables of RMB48.6 million mainly due to the different cut-off days.

Management Discussion and Analysis

Investing activities

For the six months ended 30 June 2024, net cash flows from investing activities amounted to RMB8.4 million, primarily resulted from receipt of bond receivable of RMB78.6 million and interest received of RMB8.0 million, partially offsetting by purchases of property, plant and equipment and intangible assets of RMB28.7 million, and purchase of structured deposits of RMB50.0 million.

Financing activities

For the six months ended 30 June 2024, net cash flows used in financing activities amounted to RMB86.7 million, primarily related to the repayment of interest-bearing bank loans and repurchase of guaranteed bonds of RMB2,040.8 million, the interest paid for borrowings of RMB400.6 million, the partial purchase of senior notes of RMB428.4 million, the transaction costs in relation to the issuance of the senior notes and guaranteed bonds of RMB52.1 million, and the payment of lease liabilities of RMB31.9 million. The above cash outflows were partially offset by the proceed from new bank loans of RMB1,390.0 million, and the net proceed from issuance of senior notes and guaranteed bonds of RMB1,406.8 million.

Cash and bank balances

As of 30 June 2024, cash and cash equivalents and structured deposits as stated in the interim condensed consolidated statement of financial position amounted to RMB2,429.1 million.

Borrowings

As of 30 June 2024, the Group's outstanding carrying amount of its borrowings amounted to RMB9,503.1 million, including current portion of RMB5,707.2 million. The carrying amount of borrowings included (i) RMB6,987.7 million of interest-bearing bank loans, including current portion of RMB5,544.6 million; (ii) RMB2,112.7 million of senior notes, including current portion of RMB152.1 million; and (iii) RMB402.7 million of guaranteed bonds, including current portion of RMB10.4 million.

The Group's gearing ratio decreased from 47.2% as of 30 June 2023 to 46.7% as of 30 June 2024, calculated by dividing the sum of the carrying amount of the borrowings by total assets. As of 30 June 2024, the net leverage ratio decreased from 3.42x as of 31 December 2023 to 3.36x, calculated as the following table:

	30 June 2024 RMB million	31 December 2023 RMB million
Gross debt ¹⁰	9,304.2	8,933.7
Less: Cash and cash equivalents and structured deposits	2,429.1	1,364.3
Net debt	6,875.1	7,569.4
Divided by: Adjusted EBITDA ¹¹	2,045.8	2,215.5
Net leverage ratio	3.36x	3.42x

¹⁰ The gross debt as of 30 June 2023 and 2024 are calculated with the outstanding principal of debt instruments being converted to RMB with a consensus FX rates as the debt drawdown date.

¹¹ Adjusted EBITDA for the twelve months ended 30 June 2024 and the year ended 31 December 2023.

Management Discussion and Analysis

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 60 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 22 days for the six months ended 30 June 2023 to 28 days for the six months ended 30 June 2024, mainly due to the higher revenue contribution from credit sales in overseas markets outside mainland China. The average turnover days of trade payables decreased from 77 days for the six months ended 30 June 2023 to 70 days for the six months ended 30 June 2024, mainly due to the different cut-off days.

The inventory turnover days decreased from 174 days for the six months ended 30 June 2023 to 146 days for the six months ended 30 June 2024. The inventory turnover days of ANC products decreased from 157 days for the six months ended 30 June 2023 to 134 days for the six months ended 30 June 2024. The decrease was mainly due to the higher safety stock built up in the first half of 2023 to support the strong sales growth of ANC segment during that period. The inventory turnover days of BNC products decreased from 176 days for the six months ended 30 June 2023 to 168 days for the six months ended 30 June 2024, following the new GB product launches since the end of last year. The inventory turnover days of PNC products decreased from 205 days for the six months ended 30 June 2023 to 137 days for the six months ended 30 June 2024, thanks to the continuing supply chain optimisation effort.

INTERIM DIVIDEND

After taking full consideration of the Group's financial position, net cash flow and capital expenditures, the Board has resolved to declare an interim dividend of HKD0.30 per ordinary share, representing approximately 50.0% of the Group's Adjusted net profit for the period of six months ended 30 June 2024. The interim dividend will be paid on or about Tuesday, 15 October 2024 to the shareholders whose names appear on the register of members of the Company on Monday, 16 September 2024.

SIGNIFICANT BUSINESS DEVELOPMENT AFTER THE END OF THE REPORTING PERIOD

As part of the Group's proactive management of its debt maturity profile, on 16 July 2024, the Group further prepaid USD168 million of its existing USD term loan which was scheduled to mature in June 2025. This repayment reduced the outstanding balance of the Group's existing USD term loan to USD581 million. On 30 August 2024, the Group entered into a syndicated facilities agreement with the credit parties pursuant to the commitment letter dated 1 July 2024, which provided for the refinancing facilities in an aggregate amount equivalent to US\$560,000,000. These initiatives have supported the Group's refinancing and the optimisation of its capital structure.

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

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**"). The Company has complied with all the code provisions contained in the CG Code for the six months ended 30 June 2024.

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 directors of the Company ("**Directors**") and all the Directors have confirmed that they have complied with the Company Code and the Model Code during the six months ended 30 June 2024.

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 six months ended 30 June 2024.

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.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") was established on 25 November 2010 in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely, Prof. Ding Yuan, Mr. Tan Wee Seng and Mr. Luo Yun, all of whom are non-executive Directors and the majority of whom are independent non-executive Directors. Prof. Ding Yuan, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors; reviewing the interim and annual reports and accounts of the Group; and overseeing the Group's financial reporting system, internal control system and risk management system and associated procedures.

Corporate Governance and Other Information

REMUNERATION COMMITTEE

The remuneration committee of the Board ("**Remuneration Committee**") was established on 25 November 2010 with written terms of reference amended with effect from 30 December 2022 in compliance with the CG Code. The Remuneration Committee consists of three members, namely, Mr. Tan Wee Seng, Mr. Luo Fei and Mrs. Lok Lau Yin Ching, the majority of whom are independent non-executive Directors. Mr. Tan Wee Seng was appointed as the chairman of the Remuneration Committee.

The primary objectives of the Remuneration Committee include making recommendations 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 close 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 chief executive officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

NOMINATION COMMITTEE

The nomination committee of the Board ("**Nomination Committee**") was established on 25 November 2010 with written terms of reference in compliance with the CG Code. The chairman of the Nomination Committee is Mr. Luo Fei, an executive Director, and the two other members are Mr. Tan Wee Seng and Mrs. Lok Lau Yin Ching, both of whom are independent non-executive Directors.

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, re-appointment 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, including but not limited to gender, race, language, cultural background, educational background, industry experience and functional experience. 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 would consider the candidate's character, qualifications, experience, independence and other relevant criteria as set out in the Company's Director Nomination Policy to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

Corporate Governance and Other Information

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The environmental, social and governance committee of the Board ("**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.

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.

Corporate Governance and Other Information

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 recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees are available to answer questions at shareholders' meetings.

During the six months ended 30 June 2024, the Company attended 6 investors' conferences and roadshows and approximately 280 individual and group meetings with analysts, institutional investors and fund managers. The investors' conferences and roadshows attended by the Company during the six months ended 30 June 2024 are summarized as follows:

Date	Conference	Organizer	Location
Mar-24	Post Annual Results Non-deal Roadshow	Citi	Hong Kong
Apr-24	Post Annual Results Non-deal Roadshow	CLSA	Singapore
Apr-24	Post Annual Results Non-deal Roadshow	CICC	Beijing
Apr-24	Post Annual Results Non-deal Roadshow	CITIC	Shanghai
Jun-24	Huatai Mid-year Conference	Huatai	Shanghai
Jun-24	Goldman Sachs Greater China Consumer & Leisure Corporate Day	Goldman Sachs	Virtual

The last shareholders' meeting was the annual general meeting held on 10 May 2024 at Suites 3101-3104, 31/F, Jardine House, 1 Connaught Place, Central, Hong Kong for approval of, among others, the general mandates to issue and repurchase shares of the Company, the re-appointment of auditors, the re-election of Directors, the declaration of a final dividend, the approval and adoption of the share scheme and the approval and adoption of the amended and restated articles of association of the Company. All proposed ordinary resolutions and a special resolution were passed by way of poll at the meeting.

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 are available for public access. Investors may write directly to the Company or via email to IR@hh.global for any enquiries.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this interim report complies with Appendix D2 of the Listing Rules. The Audit Committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of this interim report and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024.

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have not been audited but have been reviewed by the Company's independent auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by the Hong Kong Institute of Certified Public Accountants.

Corporate Governance and Other Information

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

During the six months ended 30 June 2024, with a view to reducing financing cost and optimising capital structure, the Company has in aggregate redeemed USD53,352,000 in principal amount of the 5.625% senior notes due 2024 (the **"Redemption Principal Amount"**) at the redemption price equal to 100% of the Redemption Principal Amount, plus accrued and unpaid interest. Upon completion of this redemption, none of the 5.625% senior notes due 2024 remained in issue.

The Company also repurchased on market RMB89,500,000 in principal amount of the 7.5% guaranteed bonds due 2027, representing approximately 17.9% of the outstanding principal amount of the 7.5% guaranteed bonds due 2027.

Save as disclosed above, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any) during the six months ended 30 June 2024.

SHARE SCHEMES

The Company has adopted four share schemes for share options and/or share awards. The number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the six months ended 30 June 2024 divided by the weighted average number of shares of the relevant class in issue for the six months ended 30 June 2024 was nil.

The details of the share schemes are as follows:

2024 Share Scheme

A share scheme (the **"2024 Share Scheme"**) of the Company was approved by the shareholders of the Company at the annual general meeting held on 10 May 2024. The purpose of the 2024 Share Scheme is 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 awards under the 2024 Share Scheme may take the form of a share option or a share award, which shall be funded by the shares. The eligible participants of the 2024 Share Scheme include (i) any person who is a director or employee of any member of the Group on the grant date of the award(s) under the 2024 Share Scheme; and (ii) any person who is a director or employee of a holding company of the Company, a subsidiary of that holding company other than members of the Group, or an associate company of the Company.

Subject to any early termination as may be determined by the Board, the 2024 Share 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 2024 Share Scheme is approximately 9.5 years.

Further details of the 2024 Share Scheme are set out in the circular of the Company dated 17 April 2024.

During the six months ended 30 June 2024, the Company did not grant any share options or share awards under the 2024 Share Scheme.

The total number of share options and share awards available for grant under the 2024 Share Scheme mandate as at 1 January 2024 and 30 June 2024 were nil and 64,556,135, respectively.

The total number of shares available for issue under the 2024 Share Scheme as at 30 June 2024 was 64,556,135, representing approximately 10% of the Company's issued share capital (excluding treasury shares, if any) as at 30 June 2024.

Corporate Governance and Other Information

SHARE SCHEMES (CONTINUED)

2022 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 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.

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 7.5 years.

Further details of the 2022 Share Award Scheme are set out in the Company’s announcement dated 11 January 2022.

Corporate Governance and Other Information

SHARE SCHEMES (CONTINUED)

2022 Share Award Scheme (continued)

Particulars and movements of awarded shares under the 2022 Share Award Scheme during six months ended 30 June 2024 by category of grantees were as follows:

Category of Grantees	Date of grant (DD/MM/YYYY)	Number of Awarded Shares					Outstanding as at 30 June 2024
		Outstanding as at 1 January 2024	Granted during the six months ended 30 June 2024	Vested during the six months ended 30 June 2024	Lapsed during the six months ended 30 June 2024	Cancelled during the six months ended 30 June 2024	
Directors							
Mr. Wang Yidong	08/04/2022	555,692	–	(238,153)	–	–	317,539
Mrs. Laetitia Albertini	28/03/2024	–	80,000	(32,000)	–	–	48,000
Mrs. Mingshu Zhao Wiggins	28/03/2024	–	40,000	–	–	–	40,000
Mr. Tan Wee Seng	08/04/2022	84,000	–	(36,000)	–	–	48,000
Mrs. Lok Lau Yin Ching	08/04/2022	84,000	–	(36,000)	–	–	48,000
Prof. Ding Yuan	05/09/2023	80,000	–	(32,000)	–	–	48,000
Sub-total		803,692	120,000	(374,153)	–	–	549,539
Other Employees	08/04/2022	1,646,008	–	(705,428)	–	–	940,580
Sub-total		1,646,008	–	(705,428)	–	–	940,580
Total		2,449,700	120,000	(1,079,581)	–	–	1,490,119

Note:

- The weighted average closing price of these shares immediately before the dates on which the relevant award shares were vested is HKD10.50.

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 5 September 2023 shall vest in accordance with the following schedule:

	Vesting Date	Number of Awarded Shares to be vested
Prof. Ding Yuan	1 April 2024	32,000 awarded shares
	1 April 2025	48,000 awarded shares

Corporate Governance and Other Information

SHARE SCHEMES (CONTINUED)

2022 Share Award Scheme (continued)

The awarded shares granted on 28 March 2024 shall vest in accordance with the following schedule:

	Vesting Date	Number of Awarded Shares to be vested
Mrs. Laetitia Albertini	1 April 2024	32,000 awarded shares
	1 April 2025	48,000 awarded shares
Mrs. Mingshu Zhao Wiggins	1 April 2025	40,000 awarded shares

The total number of awarded shares available for grant under the 2022 Share Award Scheme mandate as at 1 January 2024 and 30 June 2024 were 60,350,348, and 60,230,348, respectively.

The total number of shares available for issue under the 2022 Share Award Scheme as at 30 June 2024 was 57,808,894, representing approximately 8.95% of the Company's issued share capital (excluding treasury shares, if any) as at 30 June 2024.

2020 Share Option Scheme

A share option scheme (the **"2020 Share Option Scheme"**) of the Company was conditionally approved by resolutions of the shareholders of the Company on 8 May 2020 and the terms of such Share Option Scheme are disclosed in the circular of the Company dated 3 April 2020. The 2020 Share Option Scheme was terminated with effect from the adoption of the 2024 Share Scheme on 10 May 2024 and the Company shall not grant any further options under the 2020 Share Option Scheme thereafter, provided that any granted and unexercised options made under the 2020 Share Option Scheme immediately before the termination shall continue to be valid and exercisable in accordance with the terms of the grant and the original rules of the 2020 Share Option Scheme. Save as disclosed in the annual report of the Group for the year ended 31 December 2023, no other valuation on share options (**"Share Options"**) granted under the 2020 Share Option Scheme was made for the six months ended 30 June 2024.

Corporate Governance and Other Information

SHARE SCHEMES (CONTINUED)

2020 Share Option Scheme (continued)

Particulars and movements of Share Options under the 2020 Share Option Scheme during the six months ended 30 June 2024 by category of grantees were as follows:

Category of Grantees	Date of grant (DD/MM/YYYY)	Exercise price per Share (HKD)	Number of Share Options					Outstanding as at 30 June 2024
			Outstanding as at 1 January 2024	Granted during the six months ended 30 June 2024	Exercised during the six months ended 30 June 2024	Lapsed during the six months ended 30 June 2024	Cancelled during the six months ended 30 June 2024	
Directors								
Mr. Wang Yidong	30/11/2020	31.88	611,667	–	–	(395,262)	–	216,405
Mrs. Laetitia Albertini	30/11/2020	31.88	514,701	–	–	–	–	514,701
Sub-total			1,126,368	–	–	(395,262)	–	731,106
Employees and others								
	30/11/2020	31.88	2,973,478	–	–	(2,032,856)	–	940,622
	13/07/2021	31.02	551,945	–	–	(362,514)	–	189,431
Sub-total			3,525,423	–	–	(2,395,370)	–	1,130,053
Total			4,651,791	–	–	(2,790,632)	–	1,861,159

No Share Options granted under 2020 Share Option Scheme were exercised and cancelled during the six months ended 30 June 2024.

All the Share Options granted on 30 November 2020 shall vest in accordance with the timetable below with a 6-year exercise period (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 the 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

Since the 2020 Share Option Scheme was terminated with effect from 10 May 2024, the total number of shares that may be issued in respect of Share Options granted under the 2020 Share Option Scheme as at 30 June 2024 was the same as the number of outstanding Share Options, i.e. 1,861,159, representing approximately 0.29% of the Company’s issued share capital (excluding treasury shares, if any) as at 30 June 2024.

Corporate Governance and Other Information

SHARE SCHEMES (CONTINUED)

2010 Share Option Scheme

A share option scheme (the “2010 Share Option Scheme”) of the Company was conditionally approved by resolutions of the shareholders of the Company on 25 November 2010 and the terms of such 2010 Share Option Scheme are disclosed in the prospectus of the Company dated 3 December 2010. The 2010 Share Option Scheme was terminated with effect from 8 May 2020 upon the adoption of the 2020 Share Option Scheme and thus no share option has been granted under the 2010 Share Option Scheme since 8 May 2020. Save as disclosed in the annual report of the Group for the year ended 31 December 2023, no other valuation on share options granted under the 2010 Share Option Scheme was made.

Particulars and movements of Share Options under the 2010 Share Option Scheme during six months ended 30 June 2024 by category of Grantees were as follows:

Category of Grantees	Date of grant (DD/MM/YYYY)	Exercise price per Share (HKD)	Outstanding as at 1 January 2024	Number of Share Options				Outstanding as at 30 June 2024
				Granted during the six months ended 30 June 2024	Exercised during the six months ended 30 June 2024	Lapsed during the six months ended 30 June 2024	Cancelled during the six months ended 30 June 2024	
Directors								
Mr. Luo Fei	24/08/2017	29.25	493,002	–	–	–	–	493,002
Mr. Wang Yidong	03/05/2016	21.05	90,578	–	–	(54,348)	–	36,230
	24/08/2017	29.25	378,326	–	–	–	–	378,326
Mrs. Laetitia Albertini	24/08/2017	29.25	378,326	–	–	–	–	378,326
Mr. Tan Wee Seng	19/04/2017	25.75	150,000	–	–	(50,000)	–	100,000
	25/03/2020	26.10	150,000	–	–	–	–	150,000
Mrs. Lok Lau Yin Ching	25/03/2020	26.10	100,000	–	–	–	–	100,000
Sub-total			1,740,232	–	–	(104,348)	–	1,635,884
Employees and others								
	29/12/2015	15.58	710,645	–	–	(362,632)	–	348,013
	30/09/2016	20.92	38,568	–	–	(23,488)	–	15,080
	23/12/2016	23.30	50,893	–	–	(16,163)	–	34,730
	19/04/2017	25.75	248,477	–	–	(22,905)	–	225,572
	07/07/2017	22.15	42,644	–	–	(19,445)	–	23,199
	24/08/2017	29.25	2,512,295	–	–	(378,322)	–	2,133,973
	05/12/2017	47.10	27,043	–	–	–	–	27,043
	20/04/2018	60.02	116,873	–	–	(15,903)	–	100,970
	26/07/2018	59.05	147,060	–	–	–	–	147,060
	29/03/2019	49.15	413,722	–	–	–	–	413,722
	09/07/2019	45.79	59,298	–	–	–	–	59,298
	25/03/2020	26.10	100,000	–	–	–	–	100,000
Sub-total			4,467,518	–	–	(838,858)	–	3,628,660
Total			6,207,750	–	–	(943,206)	–	5,264,544

No Share Options granted under 2010 Share Option Scheme were exercised and cancelled during the six months ended 30 June 2024.

Corporate Governance and Other Information

SHARE 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 timetable 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 total number of shares that may be issued in respect of Share Options granted under the 2010 Share Option Scheme as at 30 June 2024 was the same as the number of outstanding Share Options, i.e. 5,264,544, representing approximately 0.82% of the Company's issued share capital (excluding treasury shares, if any) as at 30 June 2024.

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

As at 30 June 2024, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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, 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	640,470 (Note 1)	0.10%
	Beneficial owner	Long position	630,961 (Note 2)	0.10%
	Beneficial owner	Long position	317,539 (Note 4)	0.05%
Mrs. Laetitia Albertini	Beneficial owner	Long position	1,257,367 (Note 1)	0.19%
	Beneficial owner	Long position	893,027 (Note 2)	0.14%
	Beneficial owner	Long position	48,000 (Note 4)	0.007%
Mr. Luo Yun	Beneficiary of a trust (other than a discretionary interest)	Long position	432,000,000 (Note 3)	66.92%

Corporate Governance and Other Information

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

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)
Mrs. Mingshu Zhao Wiggins	Beneficial owner	Long position	40,000 (Note 4)	0.006%
Mr. Tan Wee Seng	Beneficial owner	Long position	132,000 (Note 1)	0.02%
	Beneficial owner	Long position	250,000 (Note 2)	0.04%
	Beneficial owner	Long position	48,000 (Note 4)	0.007%
Mrs. Lok Lau Yin Ching	Beneficial owner	Long position	72,000 (Note 1)	0.01%
	Beneficial owner	Long position	100,000 (Note 2)	0.02%
	Beneficial owner	Long position	48,000 (Note 4)	0.007%
Professor Ding Yuan	Beneficial owner	Long position	32,000 (Note 1)	0.005%
	Beneficial owner	Long position	48,000 (Note 4)	0.007%

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/or the 2010 Share Option Scheme.

Note 3: As at 30 June 2024, 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% 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 30 June 2024.

Note 5: As at 30 June 2024, 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 30 June 2024.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 June 2024, 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 30 June 2024, 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% 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 30 June 2024, the total number of the issued shares of the Company was 645,561,354.

Save as mentioned above, as at 30 June 2024, 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.

Corporate Governance and Other Information

CHANGES IN INFORMATION OF DIRECTORS

There are no changes in information of Directors of the Company required to be disclosed in this interim report pursuant to Rule 13.51(2) 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 (the **"Refinancing Facilities"**) 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 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 **"2022 Refinancing Facility Agreement"**).

Under the terms of the 2022 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 2022 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.

On 27 June 2024, a syndicated facilities agreement (the **"2024 June Refinancing Facility Agreement"**) was entered into between, amongst others, the Company, as the borrower and the original guarantor, China Construction Bank (Asia) Corporation Limited as agent and The Hongkong and Shanghai Banking Corporation Limited as security agent, to provide for, among other things, a CNH term loan facility in an aggregate amount of up to equivalent US\$150,000,000 (the **"2024 June Refinancing Term Loan Facilities"**). The amount to be borrowed under the 2024 June Refinancing Term Loan Facilities is to be used to refinance the syndicated loan facilities made available to the Group in the form of incremental facilities under the senior facilities agreements originally dated 21 June 2018 as amended, restated and/or supplemented from time to time with outstanding principal amount of US\$749,735,000 (the **"Existing Facilities"**). Further details of the Existing Facilities are disclosed in the announcements dated 28 March 2022, 28 April 2022 and 27 June 2022 issued by the Company.

Under the terms of the 2024 June 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, the facilities made or to be made under the 2024 June 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.

Corporate Governance and Other Information

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES (CONTINUED)

On 10 July 2024, as the conditions precedent to the utilization of the 2024 Refinancing Term Loan Facilities have been satisfied, and upon the Group's request for utilization, the 2024 June Refinancing Term Loan Facilities in the principal amount of equivalent US\$150,000,000 has been utilized in full.

On 30 August 2024, a syndicated facilities agreement (the **"2024 August Refinancing Facilities Agreement"**) was entered into between, amongst others, the Company, Biostime Healthy Australia Investment Pty Ltd and Health and Happiness (H&H) US International Incorporated (both being wholly-owned subsidiaries of the Company) as original borrowers, and The Hongkong and Shanghai Banking Corporation Limited as agent and security agent, to provide for, among other things, (i) term loan facilities; and (ii) a revolving credit facility, in an aggregate amount equivalent to US\$560,000,000.

Under the terms of the 2024 August Refinancing Facilities 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, the facilities made or to be made under the 2024 August Refinancing Facilities 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 interim report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

INTERIM DIVIDEND

After taking full consideration of the Group's financial position, net cash flow and capital expenditures, the Board has resolved to declare an interim dividend of HKD0.30 per ordinary share, representing approximately 50.0% of the Group's adjusted net profit for the period of six months ended 30 June 2024. The interim dividend will be paid on or about Tuesday, 15 October 2024 to the shareholders whose names appear on the register of members of the Company on Monday, 16 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 September 2024 to Monday, 16 September 2024, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim 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 Wednesday, 11 September 2024.

Report on Review of Interim Condensed Consolidated Financial Statements



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

INTRODUCTION

We have reviewed the interim financial information set out on pages 37 to 80, which comprises the condensed consolidated statement of financial position of Health and Happiness (H&H) International Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2024 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “*Interim Financial Reporting*” (“**IAS 34**”) issued by the International Accounting Standards Board (“**IASB**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Interim Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

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

27 August 2024

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	5	6,692,132	6,980,848
Cost of sales		(2,619,838)	(2,718,402)
Gross profit		4,072,294	4,262,446
Other income and gains	5	118,231	156,494
Selling and distribution costs		(2,653,763)	(2,641,137)
Administrative expenses		(405,868)	(412,437)
Other expenses		(161,035)	(104,135)
Finance costs	6	(433,251)	(357,996)
Share of losses of associates		(12,669)	(83)
PROFIT BEFORE TAX		523,939	903,152
Income tax expense	8	(218,136)	(295,138)
PROFIT FOR THE PERIOD		305,803	608,014
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) 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 period	21	49,029	37,173
Reclassification adjustments for losses included in profit or loss		(50,092)	(56,935)
Income tax effect		306	9,279
		(757)	(10,483)
Hedge of net investments:			
Effective portion of changes in fair value of hedging instruments arising during the period	21	44,387	100,826
Exchange differences on translation of foreign operations		(72,164)	(31,269)
Exchange differences on net investment in foreign operations		(10,544)	53,024
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(39,078)	112,098
Other comprehensive (loss)/income 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		(1,494)	4,063
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		(40,572)	116,161
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		265,231	724,175
Profit attributable to owners of the parent		305,803	608,014
Total comprehensive income attributable to owners of the parent		265,231	724,175
		RMB (Unaudited)	RMB (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		0.48	0.95
Diluted		0.48	0.95

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	353,642	369,545
Right-of-use assets	12(a)	132,663	141,202
Goodwill	13	7,747,965	7,820,522
Intangible assets	14	5,469,922	5,582,409
Deposits		26,403	28,903
Investment in associates		122,281	134,950
Deferred tax assets	24	548,844	580,624
Derivative financial instruments	21	10,350	48,057
Other non-current financial assets	15	200,381	202,358
Total non-current assets		14,612,451	14,908,570
CURRENT ASSETS			
Inventories	16	1,879,022	2,374,801
Trade and bills receivables	17	1,054,116	1,060,254
Prepayments, other receivables and other assets	18	295,509	247,113
Bonds receivable		–	78,592
Derivative financial instruments	21	54,783	927
Financial assets at fair value through profit or loss		50,000	–
Pledged deposits		7,408	7,430
Cash and cash equivalents		2,379,094	1,364,283
Total current assets		5,719,932	5,133,400
CURRENT LIABILITIES			
Trade payables	19	996,514	1,040,677
Other payables and accruals	20	2,116,185	2,216,061
Contract liabilities		55,658	200,461
Derivative financial instruments	21	70,698	103,924
Interest-bearing bank loans and other borrowings	22	5,555,037	4,289,907
Lease liabilities	12(b)	30,079	37,415
Senior notes	23	152,141	432,237
Tax payable		127,504	120,507
Dividend payables		105,414	–
Total current liabilities		9,209,230	8,441,189
NET CURRENT LIABILITIES		(3,489,298)	(3,307,789)

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		11,123,153	11,600,781
NON-CURRENT LIABILITIES			
Senior notes	23	1,960,526	1,228,363
Interest-bearing bank loans and other borrowings	22	1,835,380	3,164,988
Other payables and accruals	20	6,632	6,119
Lease liabilities	12(b)	58,860	69,643
Derivative financial instruments	21	11,672	50,646
Deferred tax liabilities	24	790,295	785,798
Total non-current liabilities		4,663,365	5,305,557
Net assets		6,459,788	6,295,224
EQUITY			
Issued capital	25	5,519	5,519
Other reserves		6,454,269	6,188,111
Proposed dividend		–	101,594
Total equity		6,459,788	6,295,224

Luo Fei

Director

Wang Yidong

Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2024

	Note	Shares held					Fair value reserve of financial assets at fair value through other comprehensive income					Proposed dividend RMB'000	Total equity RMB'000		
		Issued capital RMB'000	Share premium account RMB'000	Share for the share award schemes RMB'000	Contributed surplus RMB'000	Share award reserve RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000			Cash flow hedge reserve RMB'000	Retained profits RMB'000
At 31 December 2023 (Audited)		5,519	694,991*	(45,303)*	26,992*	16,208*	95*	382,665*	78,505*	(389,730)*	(1,217,025)*	2,000*	(67,898)*	101,594	629,5224
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	305,803
Other comprehensive income/(loss) for the period:															
Changes in fair value of equity investment designated at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	(1,494)	-	(1,494)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	-	(757)	-	-	(757)
Hedge of net investments	21	-	-	-	-	-	-	-	-	44,387	-	-	-	-	44,387
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(72,164)	-	-	-	-	(72,164)
Exchange differences on net investment in foreign operations		-	-	-	-	-	-	-	-	(10,544)	-	-	-	-	(10,544)
Total comprehensive income/(loss) for the period		-	-	-	-	-	-	-	-	(38,321)	-	(757)	(1,494)	-	265,231
Transfer of share option reserve upon the forfeiture or expiry of the share options		-	-	-	-	-	-	-	(7,933)	-	-	-	-	-	-
Equity-settled share award arrangements		-	-	7,623	-	(6,680)	-	-	-	-	-	-	-	-	4,282
Final 2023 dividend declared		-	-	-	-	-	-	-	-	-	-	-	(3,355)	(101,594)	(104,949)
At 30 June 2024 (Unaudited)		5,519	694,991*	(37,680)*	26,992*	9,528*	95*	382,665*	70,572*	(428,051)*	(1,217,025)*	1,243*	(69,392)*	-	6,459,788

* These reserve accounts comprise the consolidated other reserves of RMB6,454,269,000 (31 December 2023: RMB6,188,111,000) in these interim condensed consolidated statement of financial position as at 30 June 2024.

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2024

	Note	Shares held					Fair value reserve of financial assets at fair value through other comprehensive income					Proposed dividend RMB'000	Total equity RMB'000		
		Issued capital RMB'000	Share premium account RMB'000	Share for the share award schemes RMB'000	Contributed surplus RMB'000	Share award reserve RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000			Cash flow hedge reserve RMB'000	Retained profits RMB'000
At 31 December 2022 (Audited)		5,519	694,991	(61,777)	26,992	20,231	95	382,665	101,484	(518,217)	(1,217,025)	54,671	(42,001)	220,717	6,141,853
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	608,014
Other comprehensive income/(loss) for the period:															
Changes in fair value of equity investment designated at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	4,063	-	4,063
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	-	(10,483)	-	-	(10,483)
Hedge of net investments	21	-	-	-	-	-	-	-	-	100,826	-	-	-	-	100,826
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(31,269)	-	-	-	-	(31,269)
Exchange differences on net investment in foreign operations		-	-	-	-	-	-	-	-	53,024	-	-	-	-	53,024
Total comprehensive income/(loss) for the period		-	-	-	-	-	-	-	-	122,581	-	(10,483)	4,063	608,014	724,175
Equity-settled share option arrangements		-	-	-	-	-	-	-	2,826	-	-	-	-	-	2,826
Transfer of share option reserve upon the forfeiture or expiry of the share options		-	-	-	-	-	-	-	(3,839)	-	-	-	-	-	-
Equity-settled share award arrangements		-	-	16,474	-	(8,241)	-	-	-	-	-	-	-	-	9,353
Final 2022 dividend declared		-	-	-	-	-	-	-	-	-	-	-	4,972	(220,717)	(215,745)
At 30 June 2023 (Unaudited)		5,519	694,991	(45,303)	26,992	11,990	95	382,665	100,471	(395,636)	(1,217,025)	44,188	(37,938)	7,091,453	6,662,462

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		523,939	903,152
Adjustments for:			
Bank interest income	5	(6,911)	(11,775)
Interest income from loans and bonds receivables	5	–	(1,374)
Finance costs	6	433,251	357,996
Share of losses of associates		12,669	83
Depreciation of property, plant and equipment	11	34,117	32,773
Depreciation of right-of-use assets	12	19,815	17,675
Amortisation of intangible assets	14	94,209	99,432
Loss on early termination of leases	7	32	–
Loss on disposal of items of property, plant and equipment and intangible assets	7	1,519	316
Equity-settled share option expense		–	2,826
Equity-settled share award expense		4,282	9,353
Fair value gains on derivative financial instruments, net	5	(56,530)	(29,333)
Fair value (gains)/ losses on financial assets		(2,566)	4,154
Impairment of trade receivables	7	47	1,393
Reversal of impairment of property, plant and equipment	7	–	(776)
Write-down of inventories to net realisable value	7	82,766	158,270
Net gain on partial repurchase of senior notes	5	(398)	(13,884)
Foreign exchange differences, net		40,854	(49,353)
		1,181,095	1,480,928
Decrease/(increase) in inventories		404,217	(219,353)
Increase in trade and bills receivables		(6,573)	(160,417)
Increase in prepayments, other receivables and other assets		(52,282)	(32,374)
Decrease/(increase) in rental deposits		29	(664)
Increase in restricted deposits		(158)	(6,670)
Decrease in trade payables		(48,610)	(367,089)
Decrease in other payables and accruals		(104,602)	(139,365)
Decrease in contract liabilities		(148,730)	(195,287)
Cash generated from operations		1,224,386	359,709
Corporate income tax paid		(171,846)	(337,640)
Net cash flows from operating activities		1,052,540	22,069

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash flows from operating activities		1,052,540	22,069
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(21,811)	(28,469)
Purchases of items of intangible assets		(6,921)	(18,720)
Proceeds from disposal of items of property, plant and equipment and intangible assets		497	7,345
Partial disposal of certain financial assets		–	1,076
Purchase of structured deposits		(50,000)	–
Receipt of bonds receivable		78,592	–
Decrease in time deposits with original maturity of three months or more when acquired		–	6,000
Interest received		8,032	13,459
Net cash flows from/(used in) investing activities		8,389	(19,309)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes	23	906,794	407,985
Payment of transaction costs for issue of senior notes and guaranteed bonds		(52,093)	(10,956)
Payment of transaction costs for exchange of senior notes		–	(59,254)
Redemption and repurchase of senior notes	23	(428,444)	(283,677)
Repayment of interest-bearing bank loans and repurchase of guaranteed bonds		(2,040,794)	(406,645)
New bank loans and guaranteed bonds		1,889,998	500,000
Payment of lease liabilities	12(b)	(31,920)	(18,416)
Interest paid		(400,590)	(348,303)
Proceeds from CCSs (as defined in note 21)	21	43,234	13,609
Proceeds from termination of certain CCSs		27,111	–
Net cash flows used in financing activities		(86,704)	(205,657)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		974,225	(202,897)
Cash and cash equivalents at beginning of the period		1,364,283	2,297,660
Effect of foreign exchange rate changes, net		40,586	42,961
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		2,379,094	2,137,724
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		2,378,667	2,076,169
Non-pledged time deposits with original maturity of less than three months when acquired		427	61,555
Cash and cash equivalent as stated in the interim condensed consolidated statement of financial position and interim condensed consolidated statement of cash flows		2,379,094	2,137,724

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the manufacture and sale of premium pediatric nutrition and 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These unaudited interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the revised International Financial Reporting Standards (“**IFRSs**”) (which also include International Accounting Standards (“**IASs**”) and Interpretations) as disclosed in note 3 below.

These unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the Group’s annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Going concern

As at 30 June 2024, the Group recorded net current liabilities of RMB3,489.3 million, which was mainly resulted from certain portion of interest-bearing bank loans and other borrowings, amounted to RMB5,555.0 million in total, which will be due for repayment in the coming 12 months (the “**Borrowings**”).

The Group is in the process of refinancing the Borrowings by a new syndicated loan. Up to the date of approval of these unaudited interim condensed consolidated financial statements, the Group has utilized refinancing term loan facilities in the principal amount of equivalent USD150.0 million (approximately RMB1,090.1 million) and obtained a written commitment letter from certain financial institutions in relation to certain refinancing facilities in the aggregate amount of USD560.0 million (approximately RMB3,991.0 million). Therefore, 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 unaudited interim condensed consolidated financial statements have been prepared by the directors of the Company on a going concern basis.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised IFRSs for the first time for the current period's financial information:

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

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

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

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

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products, and has five reportable operating segments 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 pediatric 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.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the six months ended 30 June 2024 (Unaudited):

	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000	Adult nutrition and care products RMB'000	Other pediatric products RMB'000	Pet nutrition and care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	1,798,440	508,556	3,275,585	124,573	984,978	–	6,692,132
Segment results	1,056,976	394,602	2,103,279	59,008	458,429	–	4,072,294
<i>Reconciliations:</i>							
Interest income							6,911
Other income and unallocated gains							111,320
Share of losses of associates							(12,669)
Corporate and other unallocated expenses							(3,220,666)
Finance costs							(433,251)
Profit before tax							523,939
Other segment information:							
Depreciation and amortisation	14,769	3,452	40,521	5,244	39,250	44,905	148,141
Impairment of trade receivables	–	–	47	–	–	–	47
(Write-back)/write-down of inventories to net realisable value	(2,946)	6,682	31,368	(1,235)	48,897	–	82,766
Capital expenditure*	11,010	643	5,928	1,255	9,306	3,290	31,432

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the six months ended 30 June 2023 (Unaudited):

	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000	Adult nutrition and care products RMB'000	Other pediatric products RMB'000	Pet nutrition and care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	2,213,750	743,571	2,938,215	158,634	926,678	–	6,980,848
Segment results	1,206,400	584,060	1,969,492	67,166	435,328	–	4,262,446
<i>Reconciliations:</i>							
Interest income							13,149
Other income and unallocated gains							143,345
Share of losses of associates							(83)
Corporate and other unallocated expenses							(3,157,709)
Finance costs							(357,996)
Profit before tax							903,152
Other segment information:							
Depreciation and amortisation	13,630	1,161	44,643	4,578	37,248	48,620	149,880
Impairment of trade receivables	–	–	1,393	–	–	–	1,393
Write-down of inventories to net realisable value	76,825	368	64,109	1,462	15,506	–	158,270
Capital expenditure*	7,448	802	12,364	5,060	7,675	2,698	36,047

* Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Mainland China	4,541,353	5,076,109
Australia and New Zealand	975,933	829,624
North America	815,837	736,505
Other locations [#]	359,009	338,610
Total revenue	6,692,132	6,980,848

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Mainland China	417,020	441,364
Australia and New Zealand	2,274,829	2,358,609
North America	2,475,017	2,489,134
Other locations [#]	938,045	967,902
Total non-current assets	6,104,911	6,257,009

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 Hong Kong Special Administrative Region ("Hong Kong SAR") and Taiwan of the People's Republic of China (the "PRC").

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of the revenue is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	6,692,132	6,980,848

Disaggregated revenue information

For the six months ended 30 June 2024 (unaudited)

Segments	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000	Adult nutrition and care products RMB'000	Other pediatric products RMB'000	Pet nutrition and care products RMB'000	Total RMB'000
Geographical markets						
Mainland China	1,732,419	500,617	2,126,812	7,156	174,349	4,541,353
Australia and New Zealand	6,303	1,679	967,943	8	–	975,933
North America	–	290	16,531	–	799,016	815,837
Other locations*	59,718	5,970	164,299	117,409	11,613	359,009
Total	1,798,440	508,556	3,275,585	124,573	984,978	6,692,132
Timing of revenue recognition						
Goods transferred at a point in time	1,798,440	508,556	3,275,585	124,573	984,978	6,692,132

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

Disaggregated revenue information (continued)

For the six months ended 30 June 2023 (unaudited)

Segments	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000	Adult nutrition and care products RMB'000	Other pediatric products RMB'000	Pet nutrition and care products RMB'000	Total RMB'000
Geographical markets						
Mainland China	2,138,794	735,688	1,955,452	41,455	204,720	5,076,109
Australia and New Zealand	8,540	920	819,567	597	–	829,624
North America	–	349	16,249	–	719,907	736,505
Other locations*	66,416	6,614	146,947	116,582	2,051	338,610
Total	2,213,750	743,571	2,938,215	158,634	926,678	6,980,848
Timing of revenue recognition						
Goods transferred at a point in time	2,213,750	743,571	2,938,215	158,634	926,678	6,980,848

* Including Hong Kong SAR and Taiwan of the PRC.

Other income and gains

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	6,911	11,775
Interest income from loans and bonds receivables	–	1,374
Foreign exchange gains	–	49,353
Fair value gains on derivative financial instruments, net	56,530	29,333
Fair value gains on financial assets	2,566	–
Government subsidies*	2,606	12,747
Gains on sales of raw materials	37,467	22,751
Net gains on partial repurchase of senior notes	398	13,884
Others	11,753	15,277
Total other income and gains	118,231	156,494

* There are no unfulfilled conditions or contingencies related to these government subsidies.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank loans and senior notes	429,618	361,336
Interest expense on lease liabilities (note 12(b))	2,847	2,859
Amortised gain of interest rate hedge in relation to term loan	(1,761)	(34,472)
Transaction costs, net of gain on exchange of senior notes	–	28,273
Loss from repurchase of guaranteed bonds	2,547	–
Total	433,251	357,996

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,537,072	2,560,132
Research and development costs*	104,035	84,948
Loss on disposal of items of property, plant and equipment and intangible assets*	1,519	316
Impairment of trade receivables*	47	1,393
Loss on early termination of leases*	32	–
Reversal of impairment of property, plant and equipment*	–	(776)
Write-down of inventories to net realisable value#	82,766	158,270

* Included in "Other expenses" in profit or loss

Included in "Cost of sales" in profit or loss

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current – Charge for the period		
Mainland China	55,221	135,352
Hong Kong SAR	53,904	110,694
Australia	61,002	5,616
Elsewhere	518	205
Deferred (note 24)	47,491	43,271
Total	218,136	295,138

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% (six months ended 30 June 2023: 25%) on the taxable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Hapai Information Technology Co., Ltd (“**Guangzhou Hapai**”) and Biostime (Guangzhou) Health Products Limited (“**Biostime Health**”), the Company’s wholly-owned subsidiaries operating in mainland China, were recognised as high-technology enterprise in December 2022 and 2023, respectively. Guangzhou Hapai is subject to EIT at a rate of 15% for three years from 2022 to 2024 and Biostime Health is for the three years from 2023 to 2025. Therefore, Guangzhou Hapai and Biostime Health were subject to EIT at a rate of 15% for the six months ended 30 June 2024 and 2023.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profits arising in Hong Kong SAR during the period, 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 (six months ended 30 June 2023: HKD2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (six months ended 30 June 2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2023: 16.5%).

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

8. INCOME TAX EXPENSE (CONTINUED)

Australia corporate income tax

Australia corporate income tax has been provided at the rate of 30% (six months ended 30 June 2023: 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 entities.

As a top 1000 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 an external advisor.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

8. INCOME TAX EXPENSE (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.

Pillar Two income taxes

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 has been 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.

9. DIVIDENDS

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Final declared – HKD0.18 (2023: HKD0.38) per ordinary share	104,949	215,745
Dividends on ordinary shares declared after the interim reporting date:		
Interim – HKD0.30 (2023: HKD0.44) per ordinary share	173,581	256,700

On 27 August 2024, the board of directors of Health and Happiness (H&H) International Holdings Limited declared an interim dividend of HKD0.30 (six months ended 30 June 2023: HKD0.44) per ordinary share, amounting to a total of approximately RMB173,581,000 (six months ended 30 June 2023: RMB256,700,000).

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

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

The calculation of the basic earnings per share amounts is based on the profit for the six months ended 30 June 2024 attributable to ordinary equity holders of the parent of RMB305,803,000 (six months ended 30 June 2023: RMB608,014,000), and the adjusted weighted average number of ordinary shares of 641,001,009 (six months ended 30 June 2023: 639,704,919) in issue during the period.

The calculation of the diluted earnings per share amounts for the period is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	305,803	608,014
Number of shares		
Shares		
Weighted average number of ordinary shares in issue	645,561,354	645,561,354
Weighted average number of shares held for the share award schemes	(4,560,345)	(5,856,435)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	641,001,009	639,704,919
Effect of dilution – weighted average number of ordinary shares:		
Share options and awarded shares	1,977,819	3,613,542
Adjusted weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	642,978,828	643,318,461

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment with an aggregate cost of RMB22,029,000 (six months ended 30 June 2023: RMB26,379,000). Furthermore, depreciation of RMB34,117,000 (six months ended 30 June 2023: RMB32,773,000) was charged, and property, plant and equipment with an aggregate carrying amount of RMB2,016,000 (six months ended 30 June 2023: RMB7,603,000) were disposed. Besides, exchange realignment with an amount of RMB1,799,000 (negative) was recognised (six months ended 30 June 2023: RMB3,006,000) in the period.

12. LEASE

(a) Right-of-use assets

The Group has lease contracts for various items of land, office buildings, vehicles and office equipment. During the period, the Group recognised the right-of-use assets, with an aggregate cost of RMB12,642,000 (six months ended 30 June 2023: RMB14,448,000). Depreciation of RMB19,815,000 (six months ended 30 June 2023: RMB17,675,000) was charged, and the right-of-use-assets of RMB472,000 (six months ended 30 June 2023: RMB2,015,000) were derecognised due to the early termination of leases. Furthermore, exchange realignment with an amount of RMB894,000 (negative) was recognised in the period (six months ended 30 June 2023: RMB1,980,000).

(b) Lease liabilities

During the period, the Group recognised the new lease liabilities of RMB12,642,000 (six months ended 30 June 2023: RMB14,448,000) and interest expense of RMB2,847,000 (six months ended 30 June 2023: RMB2,859,000) was charged. Furthermore, the Group paid for the lease liabilities of RMB31,920,000 (six months ended 30 June 2023: RMB18,416,000), and the lease liabilities of RMB440,000 (six months ended 30 June 2023: RMB2,015,000) were derecognised due to the early termination of leases. Besides, exchange realignment with an amount of RMB1,248,000 (negative) was recognised in the period (six months ended 30 June 2023: RMB1,929,000).

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

13. GOODWILL

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At 1 January		
Cost	8,071,122	7,869,155
Accumulated impairment	(250,600)	(185,062)
Net carrying amount	7,820,522	7,684,093
Cost at 1 January, net of accumulated impairment	7,820,522	7,684,093
Impairment during the period/year	–	(55,671)
Exchange realignment	(72,557)	192,100
At end of the period/year	7,747,965	7,820,522

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At end of the period/year		
Cost	7,996,979	8,071,122
Accumulated impairment	(249,014)	(250,600)
Net carrying amount	7,747,965	7,820,522

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

14. INTANGIBLE ASSETS

During the period, the Group acquired intangible assets with an aggregate cost of RMB9,403,000 (six months ended 30 June 2023: RMB9,668,000). Furthermore, amortisation of RMB94,209,000 (six months ended 30 June 2023: RMB99,432,000) was charged by the Group, and no intangible asset (six months ended 30 June 2023: intangible assets with an aggregate carrying amount of RMB58,000) was disposed of by the Group. Besides, exchange realignment with an amount of RMB27,681,000 (negative) was recognised in the period (six months ended 30 June 2023: RMB142,217,000).

15. OTHER NON-CURRENT FINANCIAL ASSETS

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets at fair value through profit or loss	(a)		
– Unlisted equity investments		66,017	66,368
– Other unlisted investments		120,378	120,510
Subtotal		186,395	186,878
Equity investment designed at fair value through other comprehensive income	(b)		
– Listed equity investment in BOD Australia Limited		1,700	1,730
– Listed equity investment in Else Nutrition Holdings Limited		11,018	12,444
– Other unlisted investments		1,268	1,306
Subtotal		13,986	15,480
Total		200,381	202,358

Notes:

- (a) These 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.

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.

- (b) These equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers the investments to be strategic in nature.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

16. INVENTORIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Raw materials	430,156	554,568
Goods in transit	317,510	358,795
Work in progress	105	4,698
Finished goods	1,131,251	1,456,740
Total	1,879,022	2,374,801

17. TRADE AND BILLS RECEIVABLES

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 provisions, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	667,636	548,993
1 to 3 months	296,148	457,958
Over 3 months	90,332	53,303
Total	1,054,116	1,060,254

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Prepayments	169,019	115,998
Deposits	4,315	5,736
Other receivables	106,656	106,409
Prepaid expenses	11,958	17,667
Right-of-return assets	3,561	1,303
Total	295,509	247,113

As at 30 June 2024, the balance due from the Group's associate included in the prepayments was RMB4,000 (31 December 2023: RMB4,000).

During the period, 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 30 June 2024 and 31 December 2023, the loss allowance was assessed to be minimal.

19. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	804,570	863,196
1 to 3 months	138,601	133,620
Over 3 months	53,343	43,861
Total	996,514	1,040,677

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

20. OTHER PAYABLES AND ACCRUALS

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Salaries and welfare payables		189,771	261,764
Accruals		1,031,524	1,122,435
Other tax payables		121,013	122,510
Other payables	(a)	155,828	154,307
Refund liabilities	(b)	624,681	561,164
Total		2,122,817	2,222,180
Less: current portion		(2,116,185)	(2,216,061)
Non-current portion		6,632	6,119

Notes:

- (a) Other payables are non-interest-bearing and have an average term of three months.
- (b) Details of refund liabilities as at 30 June 2024 and 31 December 2023 are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Sales rebate	613,637	556,511
Sales return	11,044	4,653
Total	624,681	561,164

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	30 June 2024 Assets RMB'000 (Unaudited)	Liabilities RMB'000 (Unaudited)	31 December 2023 Assets RMB'000 (Audited)	Liabilities RMB'000 (Audited)
Non-current					
Early redemption option embedded in the senior notes	(a)	9,231	–	14,355	–
The Swaps (as defined below)	(b)	–	–	10,413	–
The CCSs (as defined below)	(c)	1,119	11,672	23,289	50,646
Total		10,350	11,672	48,057	50,646
Current					
Early redemption option embedded in the senior notes	(a)	–	–	769	–
The Swaps (as defined below)	(b)	35,645	53,331	–	64,666
The CCSs (as defined below)	(c)	19,138	17,367	158	39,258
Total		54,783	70,698	927	103,924

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes:

- (a) An early redemption option is embedded in the senior notes, details of which are set out in note 23 to these interim condensed consolidated financial statements. The fair value of the early redemption option as at 30 June 2024 was RMB9,231,000 (31 December 2023: RMB15,124,000). A fair value loss of RMB11,146,000 was charged to profit or loss for the period (six months ended 30 June 2023: RMB11,871,000).

- (b) Cash flow hedges

As at 30 June 2024 and 31 December 2023, the Group had certain cross currency interest rate swaps and cross currency swaps (collectively, the “**Swaps**”) in order to hedge the 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 (if applicable) calculated by reference to the agreed notional amounts in specified currencies denominated in foreign currencies.

For the Swaps designated as hedging instruments, 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.

During the period, a net gain of RM49,029,000 (six months ended 30 June 2023: RMB37,173,000) was included in the cash flow hedge reserve and a net loss of RMB13,825,000 was charged in profit or loss (six months ended 30 June 2023: a net gain of RMB3,805,000).

- (c) Hedges of net investments in foreign operations

As at 30 June 2024 and 31 December 2023, 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 at 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 ratio 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.

During the period, a net gain of RMB44,387,000 (six months ended 30 June 2023: RMB100,826,000) arising from the changes in fair value was included in exchange fluctuation reserve and a net gain of RMB81,501,000 was recognised in profit or loss (six months ended 30 June 2023: RMB37,399,000). During the period, the Company has received net cash of RMB43,234,000 (six months ended 30 June 2023: RMB13,609,000) in respect of those CCSs.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

22. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	30 June 2024			31 December 2023		
	Effective interest rate (%) [*]	Maturity	RMB'000 (Unaudited)	Effective interest rate (%) [*]	Maturity	RMB'000 (Audited)
Current						
Current portion of long term bank loan – unsecured	LPR+margin	2024-2025	273,607	LPR+margin	2024-2025	588,078
Current portion of long term bank loans – secured	HIBOR+Margin	2024-2025	1,542,009	HIBOR+margin	2024	1,070,414
Current portion of long term bank loans – secured	SOFR+Margin	2024-2025	3,729,018	SOFR+margin	2024	2,631,415
Current portion of RMB500,000,000 7.5% guaranteed bonds	9.28	2024-2025	10,403	–	–	–
Total – current			5,555,037			4,289,907
Non-current						
Long term bank loans – unsecured	LPR+margin	2025-2026	524,998	LPR+margin	2025	10,052
Long term bank loans – unsecured	LPR+margin	2025-2027	918,076	LPR+margin	2025-2026	8,016
Long term bank loans – secured	–	–	–	HIBOR+margin	2025	932,382
Long term bank loans – secured	–	–	–	SOFR+margin	2025	2,214,538
RMB500,000,000 7.5% guaranteed bonds	9.28	2027	392,306	–	–	–
Total – non-current			1,835,380			3,164,988
Total			7,390,417			7,454,895
Analysed into:						
Bank loans repayable:						
within one year or on demand			5,544,634			4,289,907
in the second year			437,027			3,158,976
in the third to fifth years, inclusive			1,006,047			6,012
Subtotal			6,987,708			7,454,895
Other borrowings repayable:						
within one year or on demand			10,403			–
in the second year			–			–
in the third to fifth years, inclusive			392,306			–
Subtotal			402,709			–
Total			7,390,417			7,454,895

* 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 to Interim Condensed Consolidated Financial Statements

30 June 2024

22. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (CONTINUED)

Notes:

- (a) As at 30 June 2024, the Group's interest-bearing bank loans amounting to RMB5,271,027,000 (31 December 2023: RMB6,848,749,000) 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.

As at 31 December 2023, a subsidiary of the Group was not in compliance with a term as stipulated in the agreement of an 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 31 December 2023.

- (c) As at 30 June 2024, the Group's interest-bearing bank loans and other borrowings were denominated in USD, HKD and RMB at aggregate amounts of RMB3,729,018,000 (31 December 2023: RMB4,845,953,000), RMB1,542,009,000 (31 December 2023: RMB2,002,796,000), and RMB2,119,390,000 (31 December 2023: RMB606,146,000) respectively.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

23. 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 certain amount in prior periods and repurchased and redeemed the remaining amount during the period.

On 26 June 2023, the Company issued 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 “**Original 2026 Notes**”). On 12 April 2024, the Company issued additional senior notes due 26 June 2026 with an aggregate principal amount of USD120,200,000 (the “**New 2026 Notes**”), which were consolidated and formed a single series with the Original 2026 Notes (together with the New 2026 Notes, the “**2026 Notes**”). As at 30 June 2024, the outstanding principal amount of the 2026 Notes was USD300,000,000, after repurchasing from the open market with an aggregate principal amount of USD20,200,000 from the open market prior to 30 June 2024.

The 2024 Notes, prior to their redemption, were listed and the 2026 Notes are listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). The 2024 Notes were 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 Health and Happiness (H&H) China Limited (“**H&H China**”) and Biostime Health.

Pursuant to their terms, the 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 30 June 2024, the fair value of the early redemption option embedded in the senior notes amounted to RMB9,231,000 (31 December 2023: RMB15,142,000), details of which are set out in note 21(a) to these interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

23. SENIOR NOTES (CONTINUED)

The movements of the senior notes during the six months ended 30 June 2024 and the year ended 31 December 2023 are set out below:

	Total RMB'000
At 1 January 2023 (Audited)	1,905,559
Partial repurchase of senior notes	(599,642)
Gain on partial repurchase of 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 and 1 January 2024 (Audited)	1,660,600
Redemption and repurchase of senior notes	(428,444)
Gain on partial repurchase of senior notes (note 5)	(398)
Upon the completion of the issuance of senior notes	
Proceeds received	906,794
Transaction cost incurred	(43,656)
Early redemption option embedded in senior notes	5,103
Interest charged during the period	131,306
Interest paid during the period	(131,594)
Exchange realignment	12,956
At 30 June 2024 (Unaudited)	2,112,667
Less: current portion	(152,141)
Non-current portion	1,960,526

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the six months ended 30 June 2024 and the year ended 31 December 2023 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 2024 (Audited)	60,231	385,410	43,449	177,757	16,276	22,490	40,389	746,002
(Charged)/credited to profit or loss for the period	(18,535)	(18,630)	1,835	29,729	(10,867)	(5,769)	12,163	(10,074)
Deferred tax charged to equity during the period	-	-	-	-	306	-	-	306
Exchange realignment	-	(600)	1	507	(409)	(289)	(68)	(858)
Gross deferred tax assets at 30 June 2024 (Unaudited)	41,696	366,180	45,285	207,993	5,306	16,432	52,484	735,376

	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	24,434	404,737	85,421	68,039	-	24,888	50,454	657,973
Credited/(charged) to profit or loss for the year	35,797	(20,098)	(41,972)	107,507	(11,642)	(2,776)	(10,544)	56,272
Deferred tax charged 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 (Audited)	60,231	385,410	43,449	177,757	16,276	22,490	40,389	746,002

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

24. 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 2024 (Audited)	103,020	22,783	796,499	-	18,489	10,385	951,176
(Credited)/charged to profit or loss for the period	(4,207)	21,078 [#]	22,574	-	(3,022)	994	37,417
Exchange realignment	628	51	(12,209)	-	(199)	(37)	(11,766)
Gross deferred tax liabilities at 30 June 2024	99,441	43,912	806,864	-	15,268	11,342	976,827
At 1 January 2023	16,930	45,996	741,933	23,037	20,173	8,535	856,604
Charged/(credited) to profit or loss for the year	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 (Audited)	103,020	22,783	796,499	-	18,489	10,385	951,176

[#] The amount represented a deferred tax provision of RMB21,078,000 (year ended 31 December 2023: RMB22,128,000) on the distributable profits of the Company's subsidiaries in mainland China after offsetting the realised deferred tax liabilities arising from dividends declared by these subsidiaries to their foreign investors during the year. No deferred tax liabilities were realised in the period (year ended 31 December 2023: RMB45,524,000).

For presentation purpose, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purpose:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	548,844	580,624
Net deferred tax liabilities recognised in the consolidated statement of financial position	(790,295)	(785,798)
Total	(241,451)	(205,174)

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

25. SHARE CAPITAL

Shares

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Authorised:		
10,000,000,000 (31 December 2023: 10,000,000,000) ordinary shares of HKD0.01 each	HKD100,000,000	HKD100,000,000
Issued and fully paid:		
645,561,354 (31 December 2023: 645,561,354) ordinary shares of HKD0.01 each	HKD6,455,614	HKD6,455,614
Equivalent to	RMB5,519,000	RMB5,519,000

26. 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 40 and 41 of these interim condensed consolidated 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 PRC, 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.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

27. COMMITMENTS

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Intangible assets	9,379	7,802
Property, plant and equipment	7,553	10,612
Total	16,932	18,414

28. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Outstanding balance with related parties

Details of the Group's prepayment balance with its associate as at the end of the reporting period are disclosed in note 18 to these interim condensed consolidated financial statements.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Fees	3,750	3,408
Short-term employee benefits	42,127	48,728
Pension scheme contributions	454	363
Termination payments	–	2,860
Equity-settled share option expense	–	2,063
Equity-settled share award expense	3,904	8,884
Total compensation paid to key management personnel	50,235	66,306

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

29. 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	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	9,231	15,124	9,231	15,124
– The Swaps	35,645	10,413	35,645	10,413
– The CCSs	20,257	23,447	20,257	23,447
Other non-current financial assets	200,381	202,358	200,381	202,358
Financial assets at fair value through profit or loss	50,000	–	50,000	–
Total	315,514	251,342	315,514	251,342
Financial liabilities				
Derivative financial instruments				
– The Swaps	(53,331)	(64,666)	(53,331)	(64,666)
– The CCSs	(29,039)	(89,904)	(29,039)	(89,904)
Senior notes	(2,112,667)	(1,660,600)	(2,279,345)	(1,653,606)
Total	(2,195,037)	(1,815,170)	(2,361,715)	(1,808,176)

Management has assessed that the fair values of cash and cash equivalents, pledged 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 liability (current) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

29. 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 lease liabilities (non-current), and interest-bearing bank loans and other borrowings 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 Group's own non-performance risk for interest-bearing bank loans as at 30 June 2024 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 with 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 other non-current financial assets are based on quoted market prices or the recent transaction price method with 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 by 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 valuation technique of discounted cash flow model using significant unobservable market inputs.
- (g) The fair value of the senior notes based on the quoted market price provided by a leading global financial market data provider.
- (h) The fair values of financial assets at fair value through profit or loss are measured using valuation technique of discounted cash flow model based on the market interest rates of instruments with similar terms and risks, and their fair values approximate to their carrying amount due to the short mature period and fixed range of return rate.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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	1.83% to 1.87% (31 December 2023: 2.18% to 2.22%)	1% (31 December 2023: 1%) increase in discount rate would result in decrease in fair value by RMB84,000 (31 December 2023: RMB99,000) 1% (31 December 2023: 1%) decrease in discount rate would result in increase in fair value by RMB77,000 (31 December 2023: RMB106,000)
Other non-current financial assets – the unlisted equity 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	2.84 to 2.90 (31 December 2023: 2.99 to 3.05)	1% (31 December 2023: 1%) increase in enterprise value-to-sales ratio would result in increase in fair value by RMB684,000 (31 December 2023: RMB694,000) 1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB691,000 (31 December 2023: RMB687,000)

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

29. 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	4.05% to 5.40% (31 December 2023: 3.50% to 5.63%)	1% (31 December 2023: 1%) increase in discount rate would result in decrease in fair value by RMB1,429,000 (31 December 2023: RMB1,498,000)
				1% (31 December 2023: 1%) decrease in discount rate would result in increase in fair value by RMB1,431,000 (31 December 2023: RMB1,500,000)
		Discount rate – pay leg	2.45% to 2.70% (31 December 2023: 2.50% to 3.04%)	1% (31 December 2023: 1%) increase in discount rate would result in increase in fair value by RMB760,000 (31 December 2023: RMB895,000)
				1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB761,000 (31 December 2023: RMB895,000)

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

29. 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/AUD)	Discounted cash flow model	Discount rate – receive leg	4.05% to 5.40% (31 December 2023: 3.49% to 5.41%)	1% (31 December 2023: 1%) increase in discount rate would result in increase in fair value by RMB392,000 (31 December 2023: RMB688,000)
				1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB393,000 (31 December 2023: RMB689,000)
		Discount rate – pay leg	4.20% to 4.46% (31 December 2023: 3.71% to 4.33%)	1% (31 December 2023: 1%) increase in discount rate would result in decrease in fair value by RMB355,000 (31 December 2023: RMB532,000)
				1% (31 December 2023: 1%) decrease in discount rate would result in increase in fair value by RMB355,000 (31 December 2023: RMB534,000)

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

29. 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	Not applicable (31 December 2023: 3.50% to 5.41%)	Not applicable (31 December 2023: 1% increase in discount rate would result in decrease in fair value by RMB459,000)
				Not applicable (31 December 2023: 1% decrease in discount rate would result in increase in fair value by RMB459,000)
		Discount rate – pay leg	Not applicable (31 December 2023: 3.32% to 5.12%)	Not applicable (31 December 2023: 1% increase in discount rate would result in increase in fair value by RMB426,000)
				Not applicable (31 December 2023: 1% decrease in discount rate would result in decrease in fair value by RMB427,000)

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

29. 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 instruments – the Swaps (USD/AUD)	Discounted cash flow model	Discount Rate – receive leg	5.29% to 5.39% (31 December 2023: 5.35% to 5.45%)	1% (31 December 2023: 1%) increase in discount rate would result in decrease in fair value by RMB37,000 (31 December 2023: RMB159,000)
				1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB37,000 (31 December 2023: RMB161,000)
		Discount Rate – pay leg	4.36% to 4.45% (31 December 2023: 4.30% to 4.38%)	1% (31 December 2023: 1%) increase in discount rate would result in increase in fair value by RMB10,504,000 (31 December 2023: RMB15,818,000)
				1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB10,634,000 (31 December 2023: RMB16,148,000)
Derivative financial instrument – early redemption option embedded in the senior notes	Discounted cash flow model	Discount Rate	9.76% to 10.30% (31 December 2023: 8.61% to 14.86%)	1% (31 December 2023: 1%) increase in discount rate would result in increase in fair value by RMB5,372,000 (31 December 2023: RMB3,806,000)
				1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB5,386,000 (31 December 2023: RMB3,822,000)

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

29. 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
At 30 June 2024 (Unaudited)				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	9,231	9,231
– The Swaps	–	–	35,645	35,645
– The CCSs	–	–	20,257	20,257
Other non-current financial assets	12,718	–	187,663	200,381
Financial assets at fair value through profit or loss	–	50,000	–	50,000
Total	12,718	50,000	252,796	315,514
As at 31 December 2023 (Audited)				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	15,124	15,124
– The Swaps	–	–	10,413	10,413
– The CCSs	–	–	23,447	23,447
Other non-current financial assets	14,174	–	188,184	202,358
Total	14,174	–	237,168	251,342

The movements in fair value measurements within Level 3 during the six months ended 30 June 2024 and the year ended 31 December 2023 are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At 1 January	237,168	291,343
Additions	5,103	16,399
Derecognition	–	(48,533)
Net settlement	(43,789)	(59,065)
Total gains recognised in profit or loss	10,756	22,257
Total gains recognised in equity	45,405	9,124
Exchange realignment	(1,847)	5,643
At end of the period/year	252,796	237,168

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Liabilities 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 30 June 2024 (Unaudited)				
Derivative financial instruments				
– The Swaps	–	–	53,331	53,331
– The CCSs	–	–	29,039	29,039
Total	–	–	82,370	82,370
As at 31 December 2023 (Audited)				
Derivative financial instruments				
– The Swaps	–	–	64,666	64,666
– The CCSs	–	–	89,904	89,904
Total	–	–	154,570	154,570

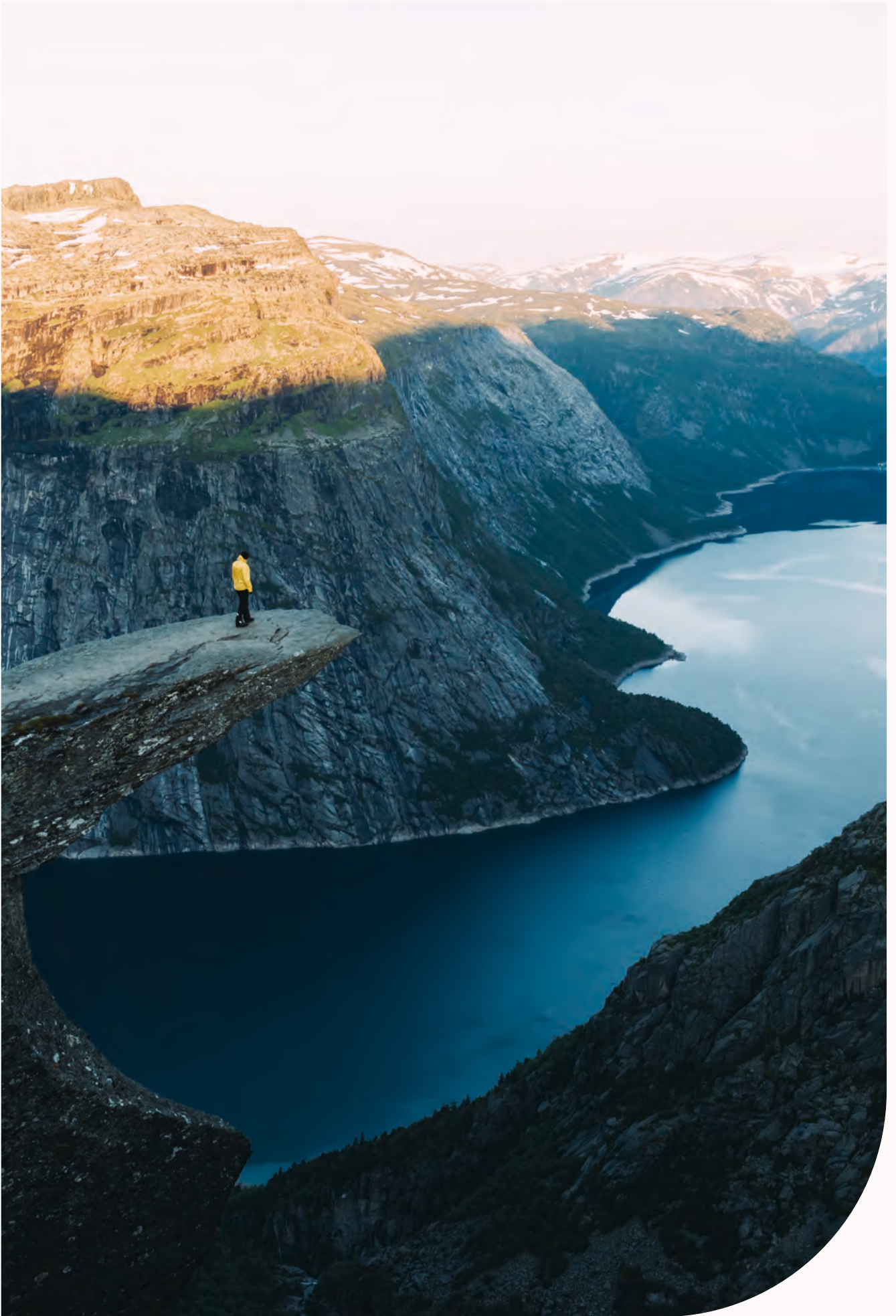
The movements in fair value measurements within Level 3 during six months ended 30 June 2024 and the year ended 31 December 2023 are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At 1 January	154,570	183,749
Derecognition	–	(29,762)
Net settlement	24,090	(20,064)
Total gains recognised to profit or loss	(48,340)	(30,847)
Total (gains)/losses charged to equity	(47,973)	48,200
Exchange realignment	23	3,294
At end of the period/year	82,370	154,570

During six months ended 30 June 2024 and the year ended 31 December 2023, 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.

30. APPROVAL OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on 27 August 2024.





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



Biostime

Swisse

Zesty Paws

solid gold

dodie

GOO GOO

AURELIA
LONDON