2024

H&H Group
Proud to be B Corp™

Certified B Corporation

H&H Group Annual Report
年度報告

Health and Happiness (H&H) International Holdings Limited

健合(H&H)國際控股有限公司 *(Incorporated in the Cayman Islands with limited liability)*

(於開曼群島註冊成立之有限公司) (Stock Code 股份代號：1112)

Biostime Swisse Zesty Paws solid gold dodie GOOD GOÛT AURELIA LONDON

CONTENTS

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 *(Chairlady)*
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
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P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

FINANCIAL **HIGHLIGHTS**

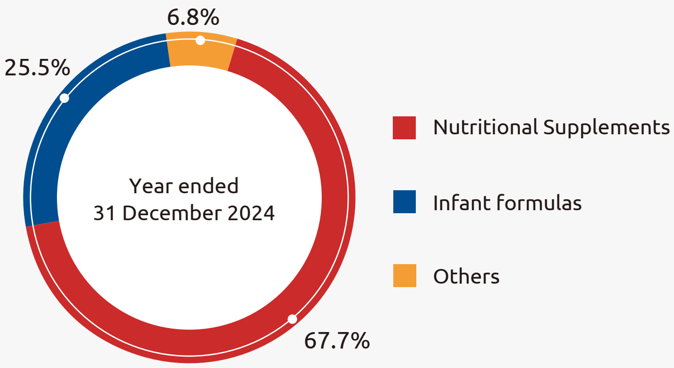
	Year ended 31 December		
	2024	2023	Change
	RMB million	RMB million	
Revenue	**13,051.7**	13,926.5	-6.3%
Gross profit	**7,915.5**	8,294.3	-4.6%
EBITDA*	**1,405.8**	1,984.9	-29.2%
Adjusted EBITDA*	**1,952.3**	2,215.5	-11.9%
Adjusted EBITDA margin	**15.0%**	15.9%	-0.9pt
Net (loss)/profit	**(53.7)**	581.8	-109.2%
Adjusted net profit**	**541.2**	778.3	-30.5%
Adjusted net profit margin	**4.1%**	5.6%	-1.5pts

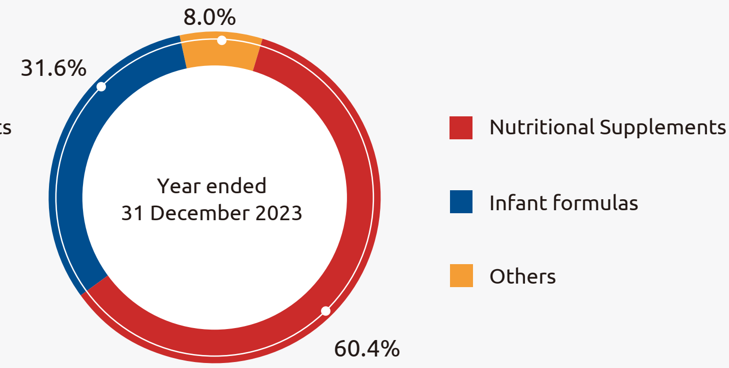
* EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA = EBITDA + Non-cash losses of RMB286.0 million for the year ended 31 December 2024 (2023: losses of RMB45.4 million) + Non-recurring losses of RMB260.5 million for the year ended 31 December 2024 (2023: losses of RMB185.2 million)

** Adjusted net profit = Net (loss)/profit + EBITDA adjustment items of losses of RMB546.5 million for the year ended 31 December 2024 (2023: losses of RMB230.6 million) + Other non-cash loss of RMB48.4 million for the year ended 31 December 2024 (2023: gain of RMB34.1 million)

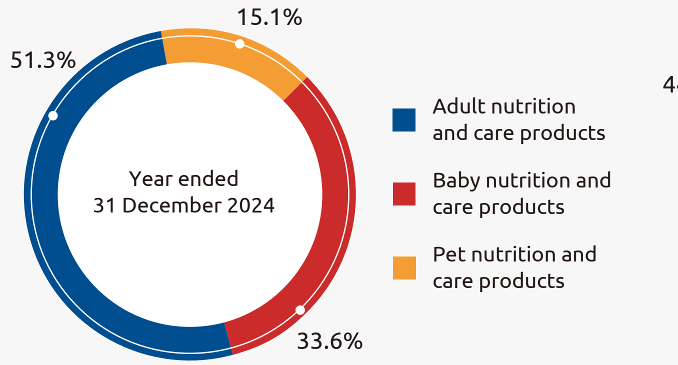
FINANCIAL **HIGHLIGHTS**

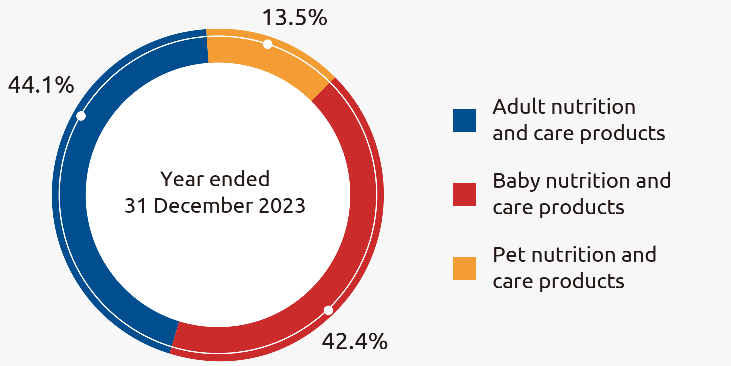
REVENUE BY PRODUCT SEGMENT



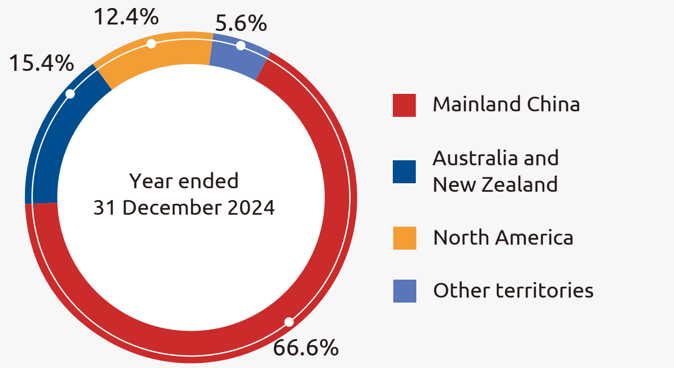


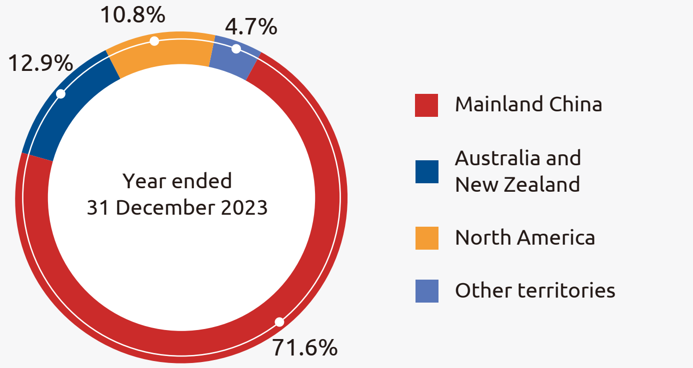
REVENUE BY BUSINESS SEGMENTS





REVENUE BY GEOGRAPHY





CHAIRMAN'S **STATEMENT**

To our shareholders,

On behalf of Health and Happiness (H&H) International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present our annual report for the year ended 31 December 2024.

In 2024, we made significant strides toward achieving our goal of becoming the global leader in nutritional supplements[1], driven by strong performances in key categories and regions. Nutritional supplements remained our core growth driver, contributing 67.7% of total revenue, with VHMS and pet supplements delivering double-digit growth within this category. Our Pet Nutrition and Care ("**PNC**") business also emerged as a key contributor, accounting for over 15% of total revenue, while North America solidified its performance with a 12.4% share of revenue. Despite facing challenges in the super premium infant milk formulas ("**IMF**") segment in mainland China, we continued to gain market share in this category.

Through strategic focus, operational resilience and disciplined execution, we achieved the following key milestones:

- Achieving healthy growth levels in the sections of our business where we see our highest margins, particularly our fast-growing nutritional VHMS and pet supplements ranges, which now represent 67.7% of our total revenue. This marks a significant transformation compared to ten years ago, when nutritional supplements accounted for only 9.0% of total revenue in 2014. This reflects our successful pivot toward higher-margin, structurally growing markets

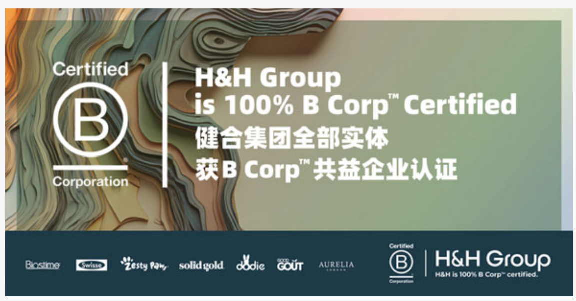
- Continuing to win in our core markets. Our Adult Nutrition and Care ("**ANC**") business achieved high-single-digit growth, driven by ongoing product innovation and premiumisation in mainland China, and sustained demand in Australia and New Zealand ("**ANZ**"). In North America, we recorded mid-to-high single-digit growth, fuelled by the successful expansion of our PNC business's distribution and repositioning efforts

- Expanding our market share in the super-premium IMF segment in mainland China, as the contraction of the overall super-premium IMF segment began to slow down in late 2024. Throughout this period, our Stage 1 and Stage 2 IMF products consistently gained market share, establishing a solid foundation for the successful completion of our GB transition in 2025

- Delivering a healthy level of profitability across all our business segments, while maintaining a strong level of cash conversion, primarily driven by our enhanced inventory management practices

- Successfully completing all refinancing initiatives planned for 2024, further diversifying our sources of funding, and optimising our capital structure despite market volatility

- Achieving full B Corp certification Group-wide one year ahead of schedule, reinforcing our commitment to using business as a force for good, benefiting people, pets, and the planet



While our adjusted net profit for 2024 declined year-on-year, primarily due to reduced sales in our Baby Nutrition and Care ("**BNC**") segment and increased finance costs, we remain committed to strengthening our balance sheet. At the same time, we upheld our steady track record of dividend payouts. As such, I am pleased to announce a final dividend of HKD0.05 per ordinary share. Combined with our interim dividend of HKD0.30 per ordinary share, this brings our total full-year dividend to HKD0.35 per ordinary share – a more prudent level compared to previous years, reflecting our focus on deleveraging.

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

ADULT NUTRITION AND CARE

In 2024, our ANC segment grew by high-single-digits, comparing against a high base following a one-off surge in demand post-COVID in 2023. This growth rate understates the robust level of demand for health supplements that we continue to see across all regions. This is especially true in mainland China, where we are strategically aligning with evolving consumer preferences with successful product launches in innovative categories, in line with our PPAE (Premium, Proven, Aspirational and Engaging) model.

All around the world, health supplements have proven to be a highly resilient sector, performing well in both high and low inflationary conditions, as well as in volatile currency environments. Aging populations, rising health consciousness, combined with improved consumer education about the health benefits of specific products, have led to supplements being considered a daily necessity.

In mainland China, Swisse tapped into these attributes through our focused mega-brand strategy, extending the product portfolios of Swisse Plus+, Swisse Me, and Little Swisse to cater to a more diverse customer base, while capitalising on increasing consumer segmentation and penetration. Notably, Swisse Plus+, with its higher profitability, made a double-digit contribution to our ANC revenue in mainland China in 2024, growing by 19.6%. In addition, Swisse Plus+ maintained its leading position in the overall anti-aging category and continues to hold significant market share.

We also advanced our channel development efforts, driven by our fast-growing online channels. Sales in the cross-border e-commerce ("**CBEC**") channel grew by 9.6%, contributing 78.1% of our mainland China ANC revenue, fuelled by continued consumer education and effective marketing. In the normal trade channel, sales decreased slightly by 1.7%, mainly due to sector-wide challenges across the supplements category within the offline pharmacy channel, which was partially offset by moderate growth in the online normal trade market.

Overall, and most importantly, Swisse maintained its No. 1 position in the mainland China online VHMS[2] market and its No. 2 brand position in the overall VHMS market[3] in 2024.

In ANZ, our second largest market by revenue, we sustained a healthy double-digit growth rate as industry growth normalised, while retaining our No. 1 position in the overall Australian VHMS market[4]. Our continued growth was driven by our extensive distribution in the domestic channel, as well as ongoing product innovation, especially around our Swisse gummies range which currently holds the No. 2 market share of 17.2%[5].

Swisse also garnered significant industry recognition in 2024, solidifying its reputation for quality, innovation, and consumer trust. Swisse was named *Reader's Digest Australia's* Most Trusted Vitamin Brand and received Complementary Medicines Australia's Marketing Campaign of the Year Award (for Multivitamins). Additionally, Swisse won The Australian Marketing Institute's Marketing Excellence Award for Social Media Marketing (Sleep) and was named runner-up in the Tik Tok Awards' "Greatest Creative Campaign" (Sleep).

[2] According to research statistics by Early Data, an independent data provider, market share data for the past twelve months ended 31 December 2024.

[3] According to research statistics by Kantar Worldpanel, an independent research company, market share data for the past twelve months ended 31 December 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 31 December 2024.

[5] According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 31 December 2024.

In other territories, our expansion markets in Asia, including Hong Kong SAR, Thailand, Malaysia, India, and the Middle East delivered strong growth. In Singapore, H&H Group was recognised by the government as a Company of Good (1 Star), while *Reader's Digest Singapore* recognised Swisse as a Trusted Brand (Gold). We also garnered other prestigious accolades, including gold at the 2024 FMCG Asia Awards for 'Digital Marketing Strategy of the Year' (Singapore Swisse's men's health campaign and 'Consumer Good of the Year' (vitamins and supplements category) for our Swisse Collagen MOV innovation in Thailand. Additionally, Swisse Malaysia earned a silver medal at the 2024 Asia Ecommerce Awards for its e-commerce strategy.

We maintained our high market share rankings in several of these markets, including the No. 1 position in the beauty VHMS, liver health, and men's health markets in Singapore[6], and the No. 2 position in Italy's beauty VHMS market[7].

BABY NUTRITION AND CARE

Our BNC segment faced stronger-than-expected challenges in 2024, particularly in mainland China. The transition to our new 'GB' series, which included depleting our old 'GB' IMF products, replacing our Pi-Star Flagship series, and introducing our new Pi-Star sub-series, required more time than anticipated. In addition, the super-premium IMF market as a whole encountered several industry-wide challenges, contracting by 17.7%[8] in 2024. However, we may be witnessing the first signs of stability in the market, with the pace of contraction in the super-premium IMF market slowing in the final months of the year. Despite this, Biostime continued to grow its market share in the super-premium IMF segment, increasing from 12.4% to 13.3%[9] over the twelve-month period, and reaching a peak of 14.5% in December 2024[10].

Meanwhile, we made significant progress in strengthening our new consumer acquisition strategies. The encouraging performance of our Stage 1 IMFs was evident across all channels, and steadily gained market share throughout the second half of the year. Notably, in the fourth quarter, the market share of our Stage 1 IMFs reached 4.7%, reflecting a 24.7% year-on-year increase in retail scanned sales[11], compared to a full-year market share of 4.4%[12]. This momentum was further underscored by an outstanding performance during the Double Eleven shopping festival, with the GMV of our Stage 1 IMFs growing by 117% year-on-year.

Our performance in e-commerce channels was particularly noteworthy. In the fourth quarter, brand searches on RedNote and Douyin had increased more than fourfold compared to the first quarter. In terms of newborn IMF recommendations, Biostime ranked in the top 5 on RedNote and Douyin by year-end, laying a solid foundation for the growth of our older stages IMF formulas in 2025.

[6] According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 December 2024.
[7] According to research statistics by IMS IQVIA, an independent research company, market share data for the past twelve months ended 31 December 2024.
[8] According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 December 2024.
[9] According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 December 2024.
[10] According to research statistics by Nielsen, an independent research company, market share data for one month ended 31 December 2024.
[11] According to research statistics by Nielsen, an independent research company, market share data for the past three months ended 31 December 2024.
[12] According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 December 2024.

Within the paediatric probiotic and nutritional supplements segment, sales declined by 32.3% in 2024 due to a high base effect following a one-off surge in demand for probiotics in the first half of last year and lower consumer traffic in the pharmacy channel. Specifically, within this category, sales of paediatric probiotics declined by 37.6%, while sales of paediatric nutritional supplements grew by 77.7% and contributed 12.1% of total paediatric probiotic and nutritional supplements sales. This growth was driven by increasing demand for paediatric nutritional supplements, including for our innovative products such as calcium, DHA, and gummies that support the physical and mental well-being of children. Throughout the year, we continued to launch innovative paediatric probiotic products, maintaining Biostime's No. 1 position in the paediatric probiotics market in mainland China[13].

Outside of mainland China, we continued to expand the international presence of our BNC business by building recognition and trust around our innovative and more specialised IMF products. Biostime in Hong Kong SAR was honoured with the "Most Trusted Brand Award" by the parenting platform Ophbama, reflecting our strong brand reputation. Additionally, 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 40.1% and 43.4%, respectively[14].

PET NUTRITION AND CARE

In 2024, we focused on optimisation and investment within our PNC business to better position ourselves to fully leverage changing demographics, growing pet populations, and well-established pet nutrition premiumisation and pet humanisation trends in North America, mainland China and other expansion markets.

In North America, we continued to grow Zesty Paws – one of the most recognised pet supplements brands in the United States ("**US**") – on Amazon, while building on our 2023 expansions into Sam's Club, Costco, Petco, Meijer, Walmart, Target, PetSmart, CVS and Tractor Supply. Zesty Paws' broader consumer base continued to drive its profitable growth. Meanwhile, sales of Solid Gold in North America declined amid ongoing channel optimisation and portfolio premiumisation efforts aimed at long-term growth, with related one-time restructuring costs being incurred in 2024. As of 31 December 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 implemented similar premiumisation efforts for Solid Gold, reallocating our resources towards launching new higher-margin pet food and supplement products, such as our newly launched Solid Gold fish oil supplements. These new products contributed 14.7% of our total PNC revenue in mainland China.

We also prioritised more profitable channels, with e-commerce playing an increasingly important role in the distribution of pet care products in both developed and emerging markets, including the United Kingdom ("**UK**"), Europe, Asia, and ANZ. Zesty Paws, launched in Singapore one year ago, was recognised as the Fastest Growing Brand on Shopee 2024 (Lifestyle), one of largest e-commerce platforms in Singapore and Southeast Asia. It reflects Zesty Paws' rapid market penetration and strong consumer acceptance.

13 According to research statistics by Kantar Worldpanel, an independent research company, market share data for the past twelve months ended 31 December 2024.

14 According to research statistics by GERS, an independent research company, market share data for the past twelve months ended 31 December 2024.

CHAIRMAN'S **STATEMENT**

OPTIMISING OUR CAPITAL STRUCTURE

Throughout 2024, we took significant steps to diversify our funding sources and optimise our capital structure. These efforts included successfully completing certain RMB bilateral loans, a RMB bond of RMB500 million, a USD bond tap of USD120 million, a CNH term loan facility equivalent to USD150 million, and a USD sustainability-linked term loan facility of USD540 million, which allowed us to fully prepay the USD term loan due in June 2025. These actions resulted in a more sustainable capital structure, with lower-cost RMB-denominated debts now representing 36.1% of the total debts at the end of 2024. This shift not only reduced our interest expense, but also mitigated currency risk while enhancing our future financial resilience.

In January 2025, we further strengthened our debt profile by issuing new 3.5-year USD senior notes at a much more favorable coupon rate to refinance the USD senior notes due in June 2026. This proactive refinancing extends our maturity profile and reduces our overall finance costs. It also marks the successful completion of all major refinancing exercises planned for 2024 and 2025, establishing a solid foundation for our future strategic growth.

As of 31 December 2024, our cash balance stood at RMB1.6 billion, reflecting the healthy inherent level of cash conversion across our business. We remain firmly on track to deleverage our balance sheet in the coming years and are well-positioned to navigate greater exchange rate volatility and a higher interest rate environment.

OUTLOOK: RETURNING TO TOP-LINE GROWTH ACROSS THE GROUP

In 2025, we will continue to drive the growth of our high-margin, fast-growing nutritional VHMS and pet supplements, helping our ANC, BNC and PNC segments to sustain, expand or regain their growth trajectories, and deliver a consistent level of profitability.

We expect our ANC segment to maintain its current growth momentum, supported by the solid demand for supplements as a necessity and an essential part of daily health routines, particularly among aging populations. In mainland China, we are committed to maintaining our market share and leadership by capitalising on ongoing consumer segmentation and leveraging Swisse's No. 1 position in the online market. In ANZ, we expect to maintain a steady growth rate in the domestic market, fuelled by two recently-launched innovations: a first-to-market Nootropics range for cognitive health, and a Smart Melts range, which offers convenient, dissolvable formats targeting stress relief, sleep support, energy enhancement and detoxification. Additionally, we remain focused on developing our expansion markets, including Southeast Asia, India, the Middle East and Italy, by leveraging our success and proven strategies in the Singapore and Hong Kong SAR markets.

We are on track to complete the 'GB' transition by the end of the first half of 2025, paving the way for a return to growth in overall IMF sales for the full year of 2025. Our focus on new customer acquisition – particularly through the e-commerce channel for IMFs – remains a key strategic priority.

For our PNC business, we will continue to expand Zesty Paws' market position in North America through an omni-channel strategy and ongoing category innovation, while actively pursuing expansion opportunities in the UK, Europe, Asia, and ANZ. Solid Gold in North America will focus on the premium pet food category and further expand its presence through e-commerce channels. In China, we aim to return to a growth trajectory in 2025 by leveraging new high-margin pet food and supplements products. Given the low penetration of pet supplements in global markets, coupled with ongoing trends in pet nutrition premiumisation and pet humanisation, we see a clear pathway for continued growth.

Finally, we remain committed to further reducing our leverage and strengthening our balance sheet. With the support of our high cash-generating business model, we are confident in our ability to further improve our balance sheet and gradually lower our net leverage ratio in the years ahead.

CHAIRMAN'S **STATEMENT**

ACKNOWLEDGEMENTS

I wish to extend my heartfelt thanks to all our stakeholders – shareholders, employees, business partners, and creditors – for their steadfast and unwavering support of H&H Group. We aim to continue creating value for all our stakeholders while empowering people around the world to live healthier and happier lives.

Luo Fei
Chairman
Hong Kong, 25 March 2025

MANAGEMENT **DISCUSSION AND ANALYSIS**

RESULTS OF OPERATION

Revenue

For the year ended 31 December 2024, the Group experienced a revenue decline of 6.3% on reported basis or 6.5% on a like-for-like[1] ("**LFL**") basis to RMB13,051.7 million as compared with 2023. Revenue from high-margin nutrition supplements remained the core revenue growth driver, with VHMS and pet supplements delivering double-digit growth within this category. However, the growth was offset by the decline in IMF segment. Despite the longer than expected time to complete the new GB transition, the Group continued to gain its market shares in the super premium IMF segment in mainland China.

	Year ended 31 December				% to revenue	
	2024	2023	Reported Change	LFL Change	**2024**	2023
	RMB million	RMB million				
Revenue by product segment						
Nutritional Supplements	**8,830.5**	8,415.3	4.9%	4.6%	**67.7%**	60.4%
– VHMS products	**6,660.0**	6,030.7	10.4%	10.2%	**51.0%**	43.3%
– Pet supplements	**1,349.2**	1,171.3	15.2%	14.0%	**10.4%**	8.4%
– Paediatric probiotic and nutritional supplements	**821.3**	1,213.3	-32.3%	-32.3%	**6.3%**	8.7%
Infant formulas	**3,332.4**	4,397.5	-24.2%	-24.2%	**25.5%**	31.6%
Others[2]	**888.8**	1,113.7	-20.2%	-20.5%	**6.8%**	8.0%
Revenue by business segment						
Adult nutrition and care products	**6,696.2**	6,145.0	9.0%	8.8%	**51.3%**	44.1%
Baby nutrition and care products	**4,382.3**	5,907.5	-25.8%	-25.8%	**33.6%**	42.4%
Pet nutrition and care products	**1,973.2**	1,874.1	5.3%	4.4%	**15.1%**	13.5%
Revenue by geography						
Mainland China	**8,685.4**	9,972.7	-12.9%	-12.9%	**66.6%**	71.6%
ANZ	**2,012.7**	1,794.6	12.2%	11.6%	**15.4%**	12.9%
North America	**1,621.7**	1,498.2	8.2%	7.1%	**12.4%**	10.8%
Other Territories	**731.9**	661.0	10.7%	10.4%	**5.6%**	4.7%
Total	**13,051.7**	13,926.5	-6.3%	-6.5%	**100.0%**	100.0%

Mainland China: Continued growth momentum in ANC and growing market share in the super-premium IMF segment

Revenue from mainland China amounted to RMB8,685.4 million for the year ended 31 December 2024, representing a year-on-year decrease of 12.9%. The decrease was mainly led by the revenue decline in BNC and PNC segment, though partially offset by sustained growth in ANC segment. Revenue from mainland China accounted for 66.6% of the Group's total revenue for the year ended 31 December 2024, compared with 71.6% in the prior year.

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

RESULTS OF OPERATION (CONTINUED)

Revenue (continued)

Mainland China: Continued growth momentum in ANC and growing market share in the super-premium IMF segment (continued)

Revenue of ANC segment in mainland China sustained its growth momentum, achieving a year-on-year growth of 6.9% despite the high base effect from a one-off surge in demand post-COVID in 2023. This segment accounted for 64.7% of the Group's total ANC revenue for the year ended 31 December 2024. This growth was mainly driven by the robust consumer demand for health supplements, the Group's successful launch of innovative product categories, and advancements in channel development. Notably, Swisse Plus+, with its higher profitability, made a double-digit contribution to ANC revenue in mainland China in 2024, growing by 19.6% year-on-year.

For the year ended 31 December 2024, CBEC sales grew by 9.6% year-on-year, contributing 78.1% of mainland China ANC revenue. This growth was fueled by ongoing consumer education initiatives and effective marketing strategies. In the normal trade channel, sales experienced a slight decrease of 1.7%, mainly due to sector-wide challenges across the supplements category within the offline pharmacy channel, which was partially offset by moderate growth in the online normal trade market. According to research statistics by Earlydata, an independent data provider, Swisse continued to maintain its No.1 position in the mainland China online VHMS market with a market share of 7.7% for the twelve months ended 31 December 2024. Additionally, Swisse maintained its No. 2 brand position in the overall VHMS market[3] in 2024.

Revenue of BNC segment decreased by 27.3% to RMB4,003.9 million for the year ended 31 December 2024 as compared with the prior year. Within BNC segment, revenue from IMF in mainland China recorded a year-on-year decline of 24.9% to RMB3,189.4 million as compared with last year. The decrease was primarily attributed to the longer than expected time to complete the new GB transition. Despite this, the Group continued to grow its market share in the super-premium IMF segment, increasing from 12.4% to 13.3%[4] over the twelve-month period, and reaching a peak of 14.5%[5] in December 2024. In addition, the early sign of market stabilisation has been witnessed with the decline of the overall super-premium IMF segment having significantly narrowed in the final months of the year.

For the year ended 31 December 2024, the Group recorded revenue from paediatric probiotic and nutritional supplements in mainland China of RMB805.8 million, decreasing by 32.9% compared with the year ended 31 December 2023. The decline was mostly attributed to the high base effect following a one-off surge in demand for probiotics in the first half of last year and continued lower consumer traffic and sector-wide challenges across the supplements business within the pharmacy channel. 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 calcium, DHA, and gummies that support the physical and mental well-being of children.

Revenue from PNC segment in mainland China declined by 14.8% to RMB345.8 million in the year ended 31 December 2024 as compared with last year. The decline was mainly due to the product portfolio premiumisation and channel optimisation exercises to drive long-term profitability.

3 According to research statistics by Kantar Worldpanel, an independent research company, market share data for the past twelve months ended 31 December 2024.

4 According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 December 2024.

5 According to research statistics by Nielsen, an independent research company, market share data for one month ended 31 December 2024.

RESULTS OF OPERATION (CONTINUED)

Revenue (continued)

ANZ: Continued double-digit growth year-on-year

On a LFL basis, revenue from ANZ market increased by 11.6% to AUD426.7 million for the year ended 31 December 2024, accounting for 15.4% of the Group's total revenue. This strong growth was fueled by continuous product innovation and extensive distribution within the domestic channel. Notably, Swisse gummies delivered high double-digit revenue growth, securing the No. 2 market share position with 17.2%[6]. Additionally, Swisse maintained its No. 1 position in the overall Australian VHMS market[7].

North America: Growth on track with expanded business both online and offline

For the year ended 31 December 2024, revenue generated by North America achieved a 7.1% year-on-year growth on a LFL basis, and accounted for 12.4% of the Group's total revenue. The continued healthy growth was mainly driven by changing demographics, growing pet populations, alongside the pet nutrition premiumisation and pet humanising trends that are becoming well established in North American market.

Revenue of Zesty Paws achieved year-on-year growth of 11.8% for the year ended 31 December 2024, driven by its rapid offline distribution expansion and continued online growth. In 2024, Zesty Paws successfully expanded into Sam's Club, Costco, Petco and Meijer, building on its earlier expansions into Walmart, Target, PetSmart, CVS and Tractor Supply.

Revenue of Solid Gold recorded a year-on-year decline of 7.0% in 2024, which was planned to allow the implementation of channel optimisation and portfolio premiumisation efforts during the year so as to drive the long-term profitable growth of the brand.

Other territories: Strong growth momentum continued in Asian expansion markets

Revenue generated by other territories grew by 10.4% on a LFL basis in the year ended 31 December 2024 as compared with last year. The growth was mainly driven by the robust growth in Asian expansion markets including Hong Kong SAR, Southeast Asia, India and the Middle East.

Zesty Paws continued to capitalise on expansion opportunities in the UK, Europe and Asia. By the end of 2024, the Group successfully introduced Zesty Paws into the UK and key European markets, including France and Italy, with a launch of products covering a range of needs and conditions such as mobility, allergy relief, calming, probiotics, and others. Zesty Paws' primary growth channel in Europe remains its digital presence on Amazon, which leveraged best practices from the US market and Zooplus.com across European markets. Additionally, the Group has established a strong retail footprint, launching Zesty Paws in pet specialty stores such as Pets at Home in the UK and Arcaplanet in Italy.

6 According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 31 December 2024.

7 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 31 December 2024.

RESULTS OF OPERATION (CONTINUED)

Gross profit and gross profit margin

In the year ended 31 December 2024, the Group recorded gross profit of RMB7,915.5 million, representing an decrease of 4.6% as compared with last year. The Group's gross profit margin increased slightly from 59.6% in the year ended 31 December 2023 to 60.6% in the year ended 31 December 2024, mainly due to the reduction in stock provision and favourable shift in product mix.

The gross profit margin of the ANC segment decreased slightly from 65.6% in 2023 to 65.0% in 2024, mainly resulting from product mix changes in certain markets and the higher revenue contribution from the new emerging markets. However, the impact of mix changes and sourcing cost increase was largely mitigated through the implementation of various effective and timely supply chain optimisation measures.

The gross profit margin of the BNC segment increased from 56.8% in 2023 to 58.1% in 2024. This improvement was primarily driven by the reduction in one-off stock write-off and provision for raw material and packaging material of IMF products following the transition of new GB standards.

The gross profit margin of PNC segment increased from 48.6% in 2023 to 51.6% in 2024. Excluding the one-time stock write-off and provision of RMB44.3 million recorded for the year ended 31 December 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 on a pro forma basis increased from 48.6% in 2023 to 53.8% in 2024. The increase was primarily driven by the favorable product mix towards higher revenue contribution from high-margin nutritional supplements products.

Other income and gains

Other income and gains amounted to RMB162.6 million for the year ended 31 December 2024. Other income and gains primarily consisted of gain on sales of raw materials of RMB70.9 million, net fair value gain on derivative financial instruments of RMB50.9 million, interest income from bank deposits of RMB12.6 million, government subsidies of RMB3.4 million and others.

The non-cash fair value gain on derivative financial instruments of RMB50.9 million was mainly caused by the fair value gain on the cross currency swap and cross currency interest rate swap agreements for the Group's long term debt, and the existing equity investments held by NewH^2.

RESULTS OF OPERATION (CONTINUED)

Selling and distribution costs

Excluding depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets ("**D&A**"), selling and distribution costs decreased slightly by 0.2% to RMB5,391.8 million in the year ended 31 December 2024, as compared with 2023. Selling and distribution costs excluding D&A as a percentage of the Group's revenue increased from 38.8% in 2023 to 41.3% in 2024, primarily due to the unfavourable impact from the double-digit sales decline in BNC segment.

ANC

Selling and distribution costs of ANC business amounted to RMB2,597.4 million in the year ended 31 December 2024, represented an increase of 11.1% as compared with last year. Selling and distribution costs of ANC business as a percentage of the Group's revenue from ANC business increased from 38.0% in 2023 to 38.8% in 2024, primarily due to strategic investment in new expansion markets across Asia.

Advertising and marketing expense of ANC business as a percentage to the Group's ANC revenue increased from 30.2% in 2023 to 31.7% in 2024, mainly driven by shifts in channel mix and investment in new expansion markets. The selling and distribution costs other than advertising and marketing expense of ANC business as a percentage to its revenue decreased slightly from 7.8% in 2023 to 7.1% in 2024, reflecting the Group's ongoing efforts to enhance spending efficiency, particularly in core markets such as mainland China and ANZ.

BNC

Selling and distribution costs of BNC business amounted to RMB1,924.9 million in the year ended 31 December 2024, representing a decrease of 15.7% as compared with last year. Selling and distribution costs of BNC business as a percentage of the Group's revenue from BNC business increased from 38.7% in 2023 to 43.9% in 2024, mainly resulting from the double-digit decline of the BNC segment sales.

Advertising and marketing expense as a percentage of BNC revenue increased from 12.5% in 2023 to 14.5% in 2024. The selling and distribution costs other than advertising and marketing expense of BNC business as a percentage of revenue increased from 26.2% in 2023 to 29.4% in 2024. These increases were mainly due to the higher investment required to deplete old 'GB approved' IMF stocks in channels, as well as increased spending on marketing and promotional campaigns aimed at acquiring new consumers for the new GB IMF products.

PNC

Selling and distribution costs of PNC business increased by 11.1% to RMB869.5 million for the year ended 31 December 2024, as compared with last year. Selling and distribution costs of PNC business as a percentage of its revenue increased from 41.8% for the year ended 31 December 2023 to 44.1% for the same period of 2024, mainly due to the increased investment in channel expansion initiatives.

Advertising and marketing expense of PNC business as percentages of its revenue decreased slightly from 15.2% in 2023 to 14.4% in 2024. The selling and distribution costs other than advertising and marketing expense of PNC business as a percentage to its revenue increased from 26.6% in 2023 to 29.7% in 2024. The increase was mainly due to the investment to support channel expansion in both core and expansion markets.

RESULTS OF OPERATION (CONTINUED)

Administrative expenses

Administrative expenses decreased by 8.1% from RMB848.5 million in the year ended 31 December 2023 to RMB779.4 million for the year ended 31 December 2024. As a percentage of the Group's revenue, administrative expenses decreased slightly from 6.1% in 2023 to 6.0% in 2024, reflecting the Group's enhanced operational efficiency and cost management efforts.

Other expenses

Other expenses for the year ended 31 December 2024 amounted to RMB588.6 million. Other expenses mainly included research and development ("**R&D**") expenditure of RMB243.0 million, net foreign exchange loss of RMB176.8 million, non-cash impairment of goodwill and intangible asset in relation to the previous acquisitions of Dodie and Good Goût in Europe of RMB124.0 million, non-cash fair value losses on financial assets of RMB13.0 million and others.

During the year under review, R&D expenditure increased by 17.9% as compared with the prior year, reflecting its strong commitment to sustained investment in product innovation. R&D expenditure as a percentage of the Group's revenue increased from 1.5% in 2023 to 1.9% in 2024.

The net foreign exchange losses of RMB176.8 million in 2024 were primarily attributable to the revaluation of a US dollar-denominated intragroup loans payable by one of the Group's subsidiary to the Company post the refinancing of the USD term loan in 2024. These losses from the revaluation of intragroup loans were purely non-cash by nature, and were only an accounting entry reflecting the impact of exchange rate fluctuations on the payable within the Group.

EBITDA and EBITDA margin

Adjusted EBITDA for the year ended 31 December 2024 decreased by 11.9% to RMB1,952.3 million from RMB2,215.5 million in the prior year. Consequently, Adjusted EBITDA margin decreased from 15.9% in 2023 to 15.0% in 2024. The decrease in Adjusted EBITDA margin was mainly due to the decline in BNC segment.

EBITDA for the year ended 31 December 2024 decreased by 29.2% to RMB1,405.8 million, compared with RMB1,984.9 million in the year ended 31 December 2023.

RESULTS OF OPERATION (CONTINUED)

EBITDA and EBITDA margin (continued)

The adjusted EBITDA was arrived at by reconciling the non-recurring or non-cash items from EBITDA in accordance with the consistent adjustment principles over the years as set out below:

	Year ended 31 December	
	2024	2023
	RMB million	RMB million
EBITDA	**1,405.8**	1,984.9
Reconciled by:		
Non-cash items*:		
(1) Net foreign exchange losses	**176.8**	4.8
(2) Net fair value gains on derivative financial instruments and financial assets	**(37.8)**	(53.1)
(3) Impairment of goodwill and intangible assets in relation to the previous acquisition of Dodie and Good Goût in Europe	**124.0**	–
(4) Impairment of goodwill and intangible assets in relation to the previous acquisition of Aurelia and Good Goût in Europe	**–**	97.3
(5) Losses on share of profit of associates	**23.0**	17.2
(6) Gain from the partial repurchase of senior notes	**–**	(20.8)
Non-recurring items*:		
(7) One-time marketing and promotional expenses in relation to the launch of new GB IMF	**178.4**	–
(8) One-time restructuring costs in relation to the product portfolio premiumisation and channel optimisation exercises for Solid Gold business in North American market, and the discontinued skincare products under Aurelia brand in the UK market	**65.1**	–
(9) One-time consulting fee for group entity structure optimization	**17.0**	–
(10) One-off stock write-off and provision for the imported goat milk IMF series products which were still pending for new GB approval	**–**	178.6
(11) One-time restructuring costs in certain markets including EU and North America	**–**	13.7
(12) Partial recovery of loan due from the Group's previous supplier of baby cereals for mainland China	**–**	(7.1)
Adjusted EBITDA	**1,952.3**	2,215.5

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

RESULTS OF OPERATION (CONTINUED)

Finance costs

During the year ended 31 December 2024, the Group incurred finance costs of RMB920.6 million, representing an increase of 19.0% compared with the previous year. The finance costs for the year ended 31 December 2024 included interests for the term loan and senior notes of RMB863.4 million on a reported basis. 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 normalised interests for the interest-bearing bank loans and senior notes was RMB654.6 million for the year ended 31 December 2024. The implied annual interest expense margin[8] (including the benefit of the above-mentioned hedges) was 6.96% for the year ended 31 December 2024.

On a reported basis, the interests for the interest-bearing bank loans and senior notes for the year ended 31 December 2024 increased by 7.7% compared with last year mainly due to the higher full-year coupon cost on the USD senior notes originally issued in June 2023 and due in June 2026, and the depreciation of RMB against USD. The finance costs for the year ended 31 December 2024 also included the non-cash write-off of unamortised transaction costs of RMB48.4 million upon refinancing for the USD term loan due in June 2025.

Income tax expense

Income tax expense decreased by 28.8% from RMB351.8 million in the year ended 31 December 2023 to RMB250.5 million in the year ended 31 December 2024. After adjusting for non-deductible and non-cash items on profit before tax, including the net foreign exchange losses, net fair value gains on derivative financial instruments and financial assets, impairment of goodwill and intangible assets, losses on share of losses of associates, gain from the partial repurchase of senior notes and write-off of unamortised transaction costs for early repayment of interest-bearing bank loans), and the one-time tax adjustments, the effective tax rate on a pro forma basis increased from 34.9% in 2023 to 42.5% in 2024. The increase was mainly due to (i) an increase in non-deductible interest expenses associated with interest-bearing bank loans, senior notes and guaranteed bonds; and (ii) the increased profits derived from the high-tax jurisdictions. On a reported basis, the effective tax rate increased from 37.7% in 2023 to 127.3% in 2024.

As disclosed in the 2023 Annual Report and 2024 Interim Report, one subsidiary of the Company, Biostime Healthy Australia Pty Ltd ("**BHA**"), as a top 1,000 taxpayer in Australia, is subject to the Australian Tax Office's ("**ATO**") compliance programs. BHA is currently undergoing an ATO audit (which commenced after a compliance program in August 2019) in respect of the value of intellectual property and other assets transferred as part of the Group-wide integration initiatives in 2018 (the "**Transaction**"), for which BHA paid AUD19 million of tax under the Australian capital gains tax ("**CGT**") rules. BHA has provided the ATO with relevant evidence and documentation to support its tax treatment of the Transaction, including two independent valuations completed for the purposes the Transaction.

As of the date of this report, the ATO is asserting a different view to that of BHA based on its interpretation and application of the CGT rules. The ATO's primary argument is that the Transaction of intellectual property and other assets resulted in a transfer of an Australian business (inclusive of goodwill) that relates to/supports the separate Swisse business in Hong Kong SAR and China that actively distributes Swisse products and therefore giving rise to a materially variable outcome to that of BHA. BHA strongly disputes the ATO's primary position and maintains that the Transaction involved the sale of certain assets only, without the transfer of an Australian business. Furthermore, the ATO maintains an alternate position in the event that its assertion about the existence of a business sale is incorrect.

[8] The implied annual interest expense margin is calculated by dividing the normalised interest expense including the benefit of hedge arrangements for the year ended 31 December 2024 by the outstanding principal as of 31 December 2024 being converted to RMB with a consensus FX rates as the debts' drawdown dates.

RESULTS OF OPERATION (CONTINUED)

Income tax expense (continued)

Due to the ongoing difference in the interpretation of the CGT rules held between the ATO and BHA, the final economic outcome of the matter is not able to be determined at this stage, however, this could potentially range between a full refund to BHA of AUD19 million under BHA's sale of assets position, or up to additional primary tax payable by BHA of AUD234.5 million under the ATO's indicated primary position. Penalties and interest may be imposed in the event of a tax shortfall. Currently, the ATO is not applying the general anti-avoidance tax provisions or transfer-pricing rules to the Transaction.

To highlight the tax technical complexities of the matter, in September 2024, BHA requested and was accepted into an independent review by an ATO independent reviewer who is not involved in the audit to narrow the technical issues under dispute. The reviewer considered that the ATO audit team should more specifically identify the business it purports was transferred and concluded that the 'transferred business' specifically excludes the separate and distinct businesses of the two operating entities which sold and distributed Swisse products to customers in China. The independent review did not lead to the resolution of the audit. Irrespective of this, BHA denies there was a transfer of an Australian business.

BHA expects that the ATO will conclude its audit by 30 June 2025. As part of completion of the audit, the ATO may issue an amended tax assessment and if disputed by BHA, the matter may proceed to litigation. In objecting to any assessments, BHA may be required to enter a debt deferral arrangement with the ATO which would require BHA to provide a portion of any additional tax payable as determined by ATO in accordance with ATO's policy, pending the outcome of the dispute on objection or in the court. At this time, BHA does not consider that it is probable that there will be a final outflow of funds in relation to the matters under audit.

BHA continues to vigorously and confidently defend its position and continues to be assisted by tax litigation lawyers and preeminent counsels. The Company will make continuing disclosure pursuant to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance if and when required.

Net (loss)/profit and adjusted net profit

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

	Year ended 31 December	
	2024	2023
	RMB million	RMB million
Net (loss)/profit	**(53.7)**	581.8
Reconciled by:		
EBITDA adjusted items as listed above	**546.5**	230.6
Non-cash items*:		
One-off write-off of unamortised transaction costs and losses on modification upon refinancing for the loan facilities	**48.4**	28.8
One-off amortized (gain)/loss of interest rate swap for previous term loan	**–**	(62.9)
Adjusted net profit	**541.2**	778.3

* 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 year ended 31 December 2024, the Group recorded net cash generated from operating activities of RMB1,346.4 million, resulting from pre-tax cash from operations of RMB1,675.9 million, minus income tax paid of RMB392.5 million. Pre-tax cash flows mainly benefited from the healthy Adjusted EBITDA which was partially offset by the negative impact from change in working capital. The inventories, net of write-down of inventories to net realisable value, decreased by RMB443.2 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 trade and bills receivables decreased by RMB100.3 million. The above positive impact was partially offset by (i) the decrease in other payables and accruals of RMB306.0 million; (ii) the decrease in contract liabilities of RMB160.3 million; and (iii) the decrease in trade payables of RMB146.5 million mainly due to the different cut-off days.

Investing activities

For the year ended 31 December 2024, net cash flows generated from investing activities amounted to RMB0.9 million, primarily resulted from receipt of bond receivable of RMB78.6 million and interest received of RMB10.5 million, partially offset by purchases of property, plant and equipment and intangible assets of RMB97.3 million.

Financing activities

For the year ended 31 December 2024, net cash flows used in financing activities amounted to RMB1,071.0 million, primarily related to the repayment of interest-bearing bank loans of RMB3,636.7 million, the interest paid for borrowings of RMB706.1 million, the partial purchase of senior notes of RMB454.9 million, the dividend paid of RMB281.9 million, the transaction costs in relation to the issuance of the senior notes and term loans of RMB276.6 million, and payment of lease liabilities of RMB53.5 million. The above cash outflows were partially offset by the proceeds from new bank loans of RMB3,330.0 million, the net proceeds from issuance of senior notes of RMB906.8 million, and the proceeds from certain cross currency swaps of RMB101.9 million.

Cash and bank balances

As of 31 December 2024, cash and cash equivalents as stated in the consolidated statement of financial position was RMB1,603.9 million. Notably, as of the date of this report, the Group has not yet drawn down the available credit line of RMB556.5 million granted by several banks, and the revolving facility of USD20.0 million which was available to the Group under an existing facilities agreement. Moreover, the Group's improved working capital also help to support its sufficient liquidity.

Interest-bearing bank loans and senior notes

As of 31 December 2024, the Group's outstanding interest-bearing bank loans amounted to RMB7,165.5 million, including current portion of RMB860.9 million. The total carrying amount of the senior notes was RMB2,119.5 million, including current portion of RMB2.2 million.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Interest-bearing bank loans and senior notes (continued)

Gearing ratio increased slightly from 45.7% as of 31 December 2023 to 49.3% as of 31 December 2024, calculated by dividing the sum of the carrying amount of senior notes and interest-bearing bank loans by total assets. As of 31 December 2024, the net leverage ratio increased to 3.99x from 3.42x as of 31 December 2023, calculated as the following table:

	For/as of the year ended 31 December	
	2024	2023
	RMB million	RMB million
Gross debt[9]	**9,403.3**	8,933.7
Less: Cash and cash equivalents	**1,603.9**	1,364.3
Net debt	**7,799.4**	7,569.4
Divided by: Adjusted EBITDA	**1,952.3**	2,215.5
Net leverage ratio	**3.99x**	3.42x

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 24 days for the year ended 31 December 2023 to 27 days for the year ended 31 December 2024, mainly due to the higher revenue contribution from credit sales in oversea markets outside mainland China. The average turnover days of trade payables decreased from 76 days for the year ended 31 December 2023 to 68 days for the year ended 31 December 2024, mainly due to the different cut-off days.

The inventory turnover days decreased from 159 days for the year ended 31 December 2023 to 150 days for the year ended 31 December 2024. The inventory turnover days of ANC products decreased from 146 days for the year ended 31 December 2023 to 141 days for the year ended 31 December 2024. The decrease was mainly due to the higher safety stock built up in the fourth quarter of 2023 to support the strong sales growth of ANC segment during that period. The inventory turnover days of BNC products increased slightly from 155 days for the year ended 31 December 2023 to 160 days for the year ended 31 December 2024. The inventory turnover days of PNC products decreased from 194 days for the year ended 31 December 2023 to 152 days for the year ended 31 December 2024, thanks to the continuing supply chain optimisation effort.

9 The gross debt as of 31 December 2024 and 2023 are calculated with the outstanding principal of debt instruments being converted to RMB with a consensus FX rates as the debt drawdown date. If applying the consistent FX rates with that of 2023, the gross debt as of 31 December 2024 would be RMB9,137.8 million.

SIGNIFICANT BUSINESS DEVELOPMENT AFTER THE END OF THE REPORTING PERIOD

In January 2025, the Group further strengthened its debt profile by issuing new 3.5-year USD senior notes at a much more favourable coupon rate to refinance the USD senior notes due in June 2026. This proactive refinancing extends the Group's maturity profile and reduces its overall finance costs. It also marks the successful completion of all major refinancing exercises planned for 2024 and 2025, establishing a solid foundation for its future strategic growth.

DIVIDEND

After taking full consideration of the Group's financial position, net cash flow and capital expenditures, the Board is pleased to recommend the payment of a final dividend of HKD0.05 per ordinary share for the year ended 31 December 2024. Taking into account of the interim dividend of HKD0.30 per ordinary share in respect of the six months ended 30 June 2024 paid in October 2024, the annual dividend will amount to HKD0.35 per ordinary share, representing approximately 37.6% of the Group's adjusted net profit for the year ended 31 December 2024.

Subject to approval at the forthcoming annual general meeting on Monday, 12 May 2025 (the "**2025 AGM**"), the said final dividend will be payable on or about Wednesday, 9 July 2025 to shareholders whose names appear on the register of members of the Company on Wednesday, 21 May 2025.

BIOGRAPHY **OF DIRECTORS AND SENIOR MANAGEMENT**

DIRECTORS

Executive Directors

Mr. Luo Fei (羅飛), aged 61, is the chairman and an executive Director of the Company. Mr. Luo was formerly the Chief Executive Officer of the Company until 18 March 2019. Mr. Luo was appointed as an executive Director on 30 April 2010 and chairman of the Company's Nomination Committee. Mr. Luo is also a director of a variety of subsidiaries of the Company. The major subsidiaries are Health and Happiness (H&H) China Limited* (健合（中國）有限公司, "**Health and Happiness China**", formerly known as BiosTime, Inc. (Guangzhou)* (廣州市合生元生物製品有限公司), "**Biostime Guangzhou**")), Biostime (Guangzhou) Health Products Limited* (合生元（廣州）健康產品有限公司, "**Biostime Health**"), Health and Happiness (H&H) Hong Kong Limited ("**Health and Happiness Hong Kong**", formerly known as Biostime Hong Kong Limited), Swisse Wellness Group Pty Ltd ("**Swisse**"), Health and Happiness France Holding ("**Health and Happiness France**"), Health and Happiness (H&H) Italy S.R.L ("**Health and Happiness Italy**"), Solid Gold Pet, LLC ("**Solid Gold**") and Health and Happiness (H&H) US LLC ("**Health and Happiness US**", formerly known as Zesty Paws LLC). Mr. Luo is also a director of the Company's substantial shareholder Coliving Holdings Limited ("**Coliving Holdings**", formerly known as Biostime Pharmaceuticals (China) Limited) with disclosable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**"). For further details, please refer to page 73 of this Annual Report. Mr. Luo leads the Board and supervises the Group's strategy, risk management and corporate governance. Mr. Luo has over 25 years of experience in the biotechnology industry. From June 1989 to October 1990, Mr. Luo was employed by Kanghai Enterprise Development Company of Guangzhou Economic and Technological Development Zone* (廣州經濟技術開發區康海企業發展公司) as an assistant engineer. In February 1993, Mr. Luo established Guangzhou Baixing Bioengineering Co., Ltd.* (廣州百星生物工程有限公司) and acted as its legal representative and general manager. In December 1994, Mr. Luo established Guangzhou Biohope Co., Ltd.* (廣州市百好博有限公司, "**Guangzhou Biohope**"), a company engaged in the import and distribution of raw materials for personal care products and household cleaning products, and acted as Guangzhou Biohope's legal representative from December 1994 to June 2010, and has been a director of Guangzhou Biohope since December 1994. In August 1999, Mr. Luo established BiosTime, Inc. (Guangzhou) and had served as its general manager until 18 March 2019. Mr. Luo is the chairman of the management committee of the Biostime China Foundation for Mothers and Children. Mr. Luo received a bachelor's degree in microbiological engineering in July 1985 and a master's degree in industrial fermentation in June 1988 from South China University of Technology* (華南理工大學), formerly known as South China Institute of Technology* (華南工學院). Mr. Luo has also completed the China Europe International Business School* (中歐國際工商學院) EMBA program and was awarded a master's degree in business administration in September 2008.

Mr. Wang Yidong (王亦東), aged 51, is an executive Director of the Company. Mr. Wang was appointed as an executive Director on 26 March 2018. He joined the Group in May 2016. Mr. Wang is the Chief Financial and Operation Officer of the Group and a member of the CEO office of the Group. He is in charge of the overall financial management, investor relationship, supply chain, and sourcing of the Group. He is also a director of a variety of subsidiaries of the Company. The major subsidiaries are Health and Happiness China, Biostime Health, Health and Happiness Hong Kong, Swisse, Solid Gold and Health and Happiness US. Mr. Wang has over 25 years of experience in financial management, accounting, and corporate finance. Prior to joining the Group, Mr. Wang was the Corporate Vice President and Asia Pacific Chief Financial Officer of Henkel AG & Co. KGaA, a German consumer goods giant ("**Henkel**"), responsible for Henkel's financial management, business and operation controlling as well as M&A-related tasks in 14 countries of Asia Pacific. Before that, he worked at Henkel's headquarters in Germany as Global Director of Business Development and M&A for Adhesive business unit, and also worked as Henkel's Greater China Chief Financial Officer and Asia Pacific Treasurer in preceding years. Mr. Wang had also taken various management and banking roles with LG.Philips, JPMorgan and China's Ministry of Commerce* (中國商務部) in Hong Kong, New York and Beijing. Mr. Wang holds a Master of Business Administration degree from New York University Stern School of Business and a Bachelor of Arts degree from China Foreign Affairs University* (中國外交學院). He completed Global Strategy Management Program at Harvard Business School. He is a member of the American Institute of Certified Public Accountants (the "**AICPA**") and a fellow member of the Association of Chartered Certified Accountants (the "**ACCA**"). He is also a member of ACCA China Expert Forum.

* for identification purposes only

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

Non-executive Directors

Mrs. Laetitia Albertini (安玉婷), aged 45, is a non-executive Director of the Company. She was re-designated to a non-executive Director on 1 January 2023, previously she was an executive Director of the Company from 26 March 2018 to 31 December 2022. Mrs. Albertini was formerly the Chief Executive Officer of the Company from 19 March 2019 to 31 December 2022. She joined the Group in July 2010. She was the General Manager of the Group strategy and international business department of the Group. From June 2018 to March 2019, Mrs. Laetitia Albertini also assumed the role of Managing Director of Swisse China. She was also a director of a variety of subsidiaries of the Company. The major subsidiaries are Health and Happiness China, Biostime Health, Health and Happiness Hong Kong, Swisse, Health and Happiness France, Health and Happiness Italy, Solid Gold and Health and Happiness US. From December 2003 to August 2010, she worked for the French Trade Commission in South China and was mainly responsible for providing lobbying and support to French companies partnering, exporting and investing in China, especially in the field of consumer goods and health sectors. Prior to that, she also interned with the United States Senate in Washington D.C. from January to June 2001, the Banque Populaire Group in Paris from July to September 2001 and the LVMH Group in Paris from September 2002 to March 2003. In July 2003, she obtained a master's degree in business administration and corporate strategy from the Institute of Political Studies in Paris.

Dr. Zhang Wenhui (張文會), aged 60, is a non-executive Director of the Company. Dr. Zhang was re-designated to a non-executive Director on 25 June 2012. Dr. Zhang was previously an executive Director of the Company from 12 May 2010 to 24 June 2012. Dr. Zhang is also a director of the Company's substantial shareholder Coliving Holdings with disclosable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 73 of this Annual Report. Dr. Zhang has over 20 years of experience in the biotechnology industry, through teaching in universities and working for several biotechnology companies. Dr. Zhang was a lecturer of bioengineering at South China University of Technology* (華南理工大學) from August 1994 to August 1996. From December 2000 to August 2003, Dr. Zhang was employed as an assistant research professor in the Department of Chemical Engineering at the University of Nebraska-Lincoln in the United States. After that, Dr. Zhang was employed as a scientist in the process development department of Xoma (US) LLC in the United States from September 2003 to September 2005. Dr. Zhang joined the Group in October 2005 as the chief technology officer of Health and Happiness China and became a general manager of the technology center of Biostime Health in December 2010, where he was primarily responsible for the research and development, product quality control and technology support, and held this position until 24 June 2012. Dr. Zhang was also the chief technology officer and head of the Quality Assurance Department of the Company until 24 June 2012 and a director of the Company's subsidiaries Health and Happiness China, Biostime Health and Dodie Baby Products Inc. (Guangzhou)* (廣州杜迪嬰幼兒護理用品有限公司, "**Dodie Guangzhou**", formerly known as BMcare Baby Products Inc. (Guangzhou)* (廣州葆艾嬰幼兒護理用品有限公司)) until 2 September 2012. Dr. Zhang received a bachelor's degree in biochemical engineering from East China University of Science and Technology* (華東理工大學), formerly known as East China College of Chemical Engineering* (華東化工學院), in July 1985, and a master's degree in industry fermentation and a doctorate in fermentation engineering from South China University of Technology* (華南理工大學) in July 1988 and September 1994, respectively. In September 1997, Dr. Zhang completed an international post graduate university course in microbiology at Osaka University. Dr. Zhang conducted research as a post-doctoral scientist in the department of food science and technology in the University of Nebraska-Lincoln in the United States from October 1997 to November 2000. He also received a master's degree in Business Administration from University of Chicago in March 2017.

* for identification purposes only

DIRECTORS (CONTINUED)

Non-executive Directors (continued)

Mr. Luo Yun (羅云), aged 64, is a non-executive Director of the Company. Mr. Luo was appointed as a non-executive Director on 12 May 2010. Mr. Luo is also a director of the Company's substantial shareholder Coliving Holdings with disclosable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 73 of this Annual Report. From 1980 to 1993, Mr. Luo was employed by Haikou Qiongshan Medical Co., Ltd.* (海口瓊山醫藥公司). Mr. Luo was employed as a sales manager for Guangzhou Biohope from December 1994 to August 1999. From August 1999 to September 2009, Mr. Luo held various positions in Health and Happiness China including the sales director and the director in charge of the Mama100 membership center. From September 2009 to December 2011, Mr. Luo was the general manager and director of a company formerly known as Biostime Health and Nutrition (Guangzhou) Limited* (廣州合生元營養保健品有限公司, now known as Leseil Health and Nutrition (Guangzhou) Limited* (廣州樂賽營養保健品有限公司)), where he was responsible for the overall strategies and business development. Since August 2016, Mr. Luo is a director and a general manager of Guangzhou Elite Education & Technology Co., Ltd.* (廣州英荔教育科技有限公司). Mr. Luo graduated from the Continuing Education School of Jinan University* (暨南大學成人教育學院) in July 1987 with a certificate of graduation in business and economic management. Mr. Luo has also completed the EMBA course at Fudan University* (復旦大學) in Shanghai and was awarded an EMBA degree in July 2012. Mr. Luo is the elder brother of Mr. Luo Fei, the Chairman of the Board and one of the Company's executive Directors.

Mrs. Mingshu Zhao Wiggins, aged 41, is a non-executive Director of the Company. Mrs. Zhao was appointed as a non-executive Director of the Company on 1 January 2024. She is the Co-Founder and Board Member of PROVEN Group, an artificial intelligence and digital technology-enabled personalized cosmetics company she founded in 2017. Prior to this, she served as Head of Partnerships of new markets in NerdWallet, Inc. (Nasdaq: NRDS) from 2014 to 2016; as an Investor in Pacific Alternative Asset Management Company from 2011 to 2013; as a Private Equity Investor in Bain Capital from 2008 to 2010; and as a Management Consultant in The Boston Consulting Group from 2006 to 2008. Mrs. Zhao graduated with a master's degree in business administration from Harvard Business School in 2012 and a bachelor's degree from Emory University in 2006.

* for identification purposes only

DIRECTORS (CONTINUED)

Independent Non-executive Directors

Mr. Tan Wee Seng (陳偉成), aged 69, is an independent non-executive Director of the Company. Mr. Tan was appointed as an independent non-executive Director on 12 July 2010 and is chairman of the Company's Remuneration Committee. Mr. Tan is also a non-executive director, a chairman of the sustainability committee, a member of the nomination committee and a member of the audit committee of Xtep International Holdings Limited* (特步國際控股有限公司) (Stock Code: 1368), an independent non-executive director, a chairman of the audit committee and a chairman of the nomination committee of Sa Sa International Holdings Limited* (莎莎國際控股有限公司) (Stock Code: 178), an independent non-executive director, a chairman of the audit committee and a member of the remuneration committee of CIFI Holdings (Group) Company Limited* (旭輝控股（集團）有限公司) (Stock Code: 884), an independent non-executive director, a chairman of the audit committee, a chairman of remuneration committee and a member of the nomination committee of Shineroad International Holdings Limited* (欣融國際控股有限公司) (Stock Code: 1587), the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Tan is also a board member of Beijing City International School* (北京樂成國際學校), an academic institution in Beijing. Mr. Tan has been appointed as an independent non-executive director and a chairman of the audit committee of Sinopharm Group Company Limited* (國藥控股股份有限公司) (Stock Code: 1099) from September 2014 to September 2020 listed on the Main Board of Stock Exchange, an independent director, a chairman of the audit committee, a member of nominating and corporate governance committee and a member of the Environmental, Social and Governance committee of Renesola Ltd (Stock Code: SOL), the shares of which are listed on the New York Stock Exchange ("**NYSE**") from April 2009 to January 2023, an independent director and a chairman of the audit committee of 7 Days Group Holdings Limited, listed on the NYSE, between November 2009 and July 2013, until it was privatized. He was the chairman of the special committee for the privatization of 7 Days Group Holdings Limited from October 2012 to July 2013. Mr. Tan has over 30 years of financial management, corporate finance, merger and acquisition, business management and strategy development experience. Mr. Tan has held various management and senior management positions in a number of multinational corporations. Mr. Tan was previously the managing director of AFE Computer Services Limited, a Reuters subsidiary located in Hong Kong which was mainly engaged in domestic equity and financial information services; a director of Infocast Pty Limited, a Reuters subsidiary in Australia; and the regional finance manager of Reuters East Asia. From 1999 to 2002, Mr. Tan was the senior vice president of Reuters for the China, Mongolia and North Korea regions, and the chief representative of Reuters in China. From 2003 to 2008, Mr. Tan was an executive director, chief financial officer and company secretary of Li Ning Company Limited* (李寧有限公司), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Tan is a professional accountant and a fellow member of the Chartered Institute of Management Accountants in the United Kingdom, and a fellow member of the Hong Kong Institute of Directors.

Mrs. Lok Lau Yin Ching (駱劉燕清), aged 70, is an independent non-executive Director of the Company. Mrs. Lok was appointed as an independent non-executive Director of the Company on 24 March 2020. Mrs. Lok is a strategic Human Resources leader with over 30 years of experience in driving people and business transformation. Mrs. Lok worked for MetLife Asia Limited as the SVP, Regional Head of Human Resources from 2012 to 2019. She partnered with global human resources leaders of MetLife in formulating global human resources strategies and built a world-class Asia human resources function with a composite of both international and local talents for developing and driving the implementation of business strategies. From 2005 to 2012, she worked for HSBC Insurance (Asia) Limited as the Asia Regional Head of Human Resources. She built and drove human resources strategies to grow the insurance business in Asia within the HSBC Group. Prior to joining HSBC Insurance (Asia) Limited, Mrs. Lok was the Regional Head of Human Resources of AXA Asia from 2000 to 2005. In addition, Mrs. Lok has been active in voluntary services including being the Treasurer with the 10th Tai Po Scout Group for over 20 years. Mrs. Lok holds a Bachelor of Arts degree (Economics & Sociology) from the University of Leeds in the United Kingdom. She is certified in the Woman Directorship program of the University of Hong Kong. She is also a certified Master Neuro-Linguistic Programming Practitioner, a certified Executive Coach as well as a certified Emotional Intelligence Coach & Practitioner.

* for identification purposes only

DIRECTORS (CONTINUED)

Independent Non-executive Directors (continued)

Professor Ding Yuan (丁遠), aged 56, is an independent non-executive Director of the Company. Professor Ding was appointed as an independent non-executive Director of the Company on 1 January 2023 and is chairman of the Company's Audit Committee. Professor Ding has been an independent non-executive director, the chairman of the audit committee, a member of the nomination committee and a member of the strategy committee of JS Global Lifestyle Company Limited* (JS環球生活有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1691) since August 2022. He has been an independent non-executive director, the chairman of the remuneration committee, and a member of each of the nomination committee and the audit committee of Man Wah Holdings Limited* (敏華控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1999) since December 2016. He has been a non-executive director of Saurer Intelligent Technology Co. Ltd* (卓郎智能技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600545), since May 2018 and was a member of the audit committee of which from May 2018 to September 2021. Since January 2021, Professor Ding has also served as an independent non-executive director of Shanghai Large & Kunchi Group Inc.* (上海路捷鯤馳集團股份有限公司), a private consumer goods company. Professor Ding was an independent non-executive director and the chairman of audit committee of Red Star Macalline Group Corporation Ltd.* (紅星美凱龍家居集團股份有限公司) (stock code: 1528) from March 2012 to November 2018 and was an independent non-executive director, the chairman of the audit committee, and a member of each of the remuneration committee and the nomination committee of Landsea Green Properties Co., Ltd.* (朗詩綠色地產有限公司) (stock code: 106) from July 2013 to May 2019, respectively, both of which are listed on the Main Board of the Stock Exchange. He was an independent non-executive director, the chairman of the audit committee, and the chairman of the risk and compliance committee of Bluestar Adisseo Company* (藍星安迪蘇股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600299) from August 2018 to September 2024. He was an independent non-executive director of Jaccar Holdings, a private investment company, from July 2011 to August 2021. Professor Ding was an independent director and the chairman of the audit committee of Anhui Gujing Distillery Co., Ltd.* (安徽古井貢酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000596), from June 2008 to June 2011 and at TCL Corporation* (TCL集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000100), from June 2008 to June 2014. From July 2011 to June 2015, he was an independent non-executive director and the chairman of the audit committee of MagIndustries Corp., a company listed on the Toronto Stock Exchange (stock code: MAA). Professor Ding has more than twenty years of experience in teaching and researching financial accounting, financial statement analysis, corporate governance and mergers and acquisitions. He graduated with a doctor of philosophy degree in management science from the College of Business Administration, Bordeaux IV University in France in May 2000. He also obtained a master's degree in enterprise administration from the University of Poitiers, France in June 1995. Professor Ding served as a tenured professor in accounting and management control at the HEC School of Management in Paris, France from September 1999 to September 2006. He joined China Europe International Business School* (中歐國際工商學院) in September 2006 and served as the vice president and dean from May 2015 to March 2023.

* for identification purposes only

SENIOR MANAGEMENT

Mr. Akash Bedi, aged 41, is the rotating Chief Executive Officer of the Company. Mr. Bedi has been appointed as one of three Rotating Group CEOs since December 2023. He has also been the Chief Executive Officer for Europe, North America, Middle East and India since November 2023. He was the acting Chief Executive Officer from October 2022 to August 2023 and was the Chief Strategy and Operation Officer of the Company from December 2019 to September 2022. He joined the Group in July 2018 as Senior Director of Strategy and Corporate Affairs. In the last 4 years, he has been successfully leading and managing the Swisse business for India and Middle East market. Also, he led the integration of our pet nutrition brands including Solid Gold and Zesty Paws. Prior to joining the Company, Akash held the position of Director, Global Consumer & Retail at HSBC for over 10 years since May 2008 where he worked on highly complex mergers and acquisitions transactions from its global offices in New York, London and Hong Kong. Akash obtained a Bachelor's degree in Engineering (Mechanical) from Manipal Institute of Technology, India in 2005 and an MBA degree from the Cardiff Business School in the UK in 2006.

Mr. Zhang Qizhang (張琦章), aged 40, has been the Chief People Officer of the Company since July 2020 and assumed additional responsibility as Chief IT and Strategy Officer since September 2024. He is the standing member of the CEO office of the Group. He joined the Group in June 2014. Mr. Zhang was the Director of the Integrated Marketing Centre of the Group from April 2015 to December 2017 then was appointed as the Group General Manager of new business development and assumed additional responsibility as Chief People Officer from January 2018 to June 2020. He was also the General Manager of the United Kingdom from July 2020 to February 2022. Before that, he was the Marketing Director of Biostime and assumed additional responsibility as Director of the Corporate Innovation Marketing Centre. He started his career at Procter & Gamble ("**P&G**") in China from graduation as a brand manager at the marketing department until May 2014. Mr. Zhang obtained his bachelor's degree in public management in Renmin University of China* (中國人民大學) in June 2007.

Ms. Li Fengting (李鳳婷), aged 40, has been the Chief Executive Officer for China since August 2020. Ms. Li also has been appointed as one of three Rotating Group CEOs since December 2023. She is also a director of a variety of PRC subsidiaries of the Company. The major PRC subsidiaries are Health and Happiness China and Biostime Health. She joined the Group in May 2018 as ANC China sales and marketing general manager. She manages all operations of BNC and ANC in China and is responsible for most functions in China, including quality & regulation, supply chain and public relationship. Ms. Li has over 10 years of experience in fast-moving consumer goods ("**FMCG**") sales, marketing and omni-channel management. Prior to joining the Group, she worked for P&G in China and Singapore from July 2008 to April 2018, where she led the global brand Downy Unstoppable launch into global multi-regions and Tampax launch into China. Ms. Li graduated from Zhejiang University* (浙江大学) in 2008 and obtained a bachelor's degree in Industrial Design.

Mr. Nicholas Russell Lamande Mann, aged 51, in addition to his role as Chief Executive Officer for Asia, Australia and New Zealand, a role which he has held since March 2022, Mr. Mann has been appointed as one of three Rotating Group CEOs since December 2023. He joined the Group in September 2017 as the Sales Director for Australia and New Zealand and was promoted to Managing Director for Australia and New Zealand in September 2019. Over a 27-year span prior to joining the Group, Mr. Mann gained a great deal of experience working in a variety of senior sales, marketing, and general management roles across CPG, Technology and Beverage Alcohol categories for firms such as Gillette, Motorola, Foster's Group and Treasury Wine Estates. Mr. Mann obtained a Bachelor of Science Degree from The University of Melbourne in 1995.

Mrs. Pascale Laborde, aged 45, has been the Chief Growth and Sustainability Officer since January 2024. She is also Director of Global Marketing and Communications since November 2021. She joined the Group in March 2019. She is responsible for leading the marketing, communications and sustainability strategy for H&H globally across our BNC, ANC and PNC business segments. Prior to joining the Group, she worked at KFC France part of Group Yum. From 2014 to 2019, first as Head of Sales, Media and Advertising, then Marketing Innovation Director and Chief Marketing Officer. From 2004 to 2014, she also worked at Unilever France, in a number of Marketing and Sales roles managing strategic accounts. She graduated from Hautes Etudes Commerciales (HEC) and obtained a master's degree in marketing in 2003.

* for identification purposes only

SENIOR MANAGEMENT (CONTINUED)

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

Ms. Yang Wenyun (楊文筠), aged 41, has been the Senior Director of the Listing Affairs and Risk Management Department since March 2019. She joined the Group in August 2005 and was appointed as one of the joint company secretaries of the Company since 12 July 2010 to 25 June 2019. From 25 June 2019, Ms. Yang has acted as the sole company secretary of the Company. She is mainly in charge of overall listed corporation affairs, risk management, internal audit and legal affairs of the Group. She is also the supervisor of a variety of subsidiaries of the Company. Ms. Yang started her professional career with the Group and has obtained substantial experience through corporate governance, risk management, administration, legal affairs, information security management, internal audit, public relations and human resources management over the past nineteen years with the Group. Ms. Yang is an associate member of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute. She also holds the Chartered Governance Professional. Ms. Yang obtained a bachelor's degree in law from Sun Yat-Sen University* (中山大學) in June 2005. She successfully completed the Business Sustainability Management Program presented by the University of Cambridge Institute for Sustainability Leadership in December 2023.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of this Annual Report of the Company are set out below:

Name of Director	Details of Change
Professor Ding Yuan	Professor Ding ceased to be an independent non-executive director, the chairman of the audit committee, and the chairman of the risk and compliance committee of Bluestar Adisseo Company* (藍星安迪蘇股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600299) on 19 September 2024 as a result of the end of the two terms of three years.

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

* for identification purposes only

CORPORATE **GOVERNANCE REPORT**

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

CORPORATE GOVERNANCE CULTURE, PURPOSE, VALUE AND STRATEGY

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

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

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Throughout the year ended 31 December 2024, the Company has complied with all the code provisions as set out in the CG Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

THE BOARD

Responsibilities

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

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

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

Board Composition

As at the date of this report, the Board currently comprises nine members, consisting of two executive Directors, four non-executive Directors and three independent non-executive Directors. The Board has also established four Board committees, namely, the nomination committee (the "**Nomination Committee**"), the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the environmental, social and governance committee (the "**ESG Committee**")[1]. Directors' biographical details are set out in the section headed "Biography of Directors and Senior Management" on pages 24 to 30 of this Annual Report. As at the date of this report, the Board currently comprises the following members:

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

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

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

[1] Mrs. Pascale Laborde, our Chief Growth and Sustainability Officer, is a member of the ESG Committee.

THE BOARD (CONTINUED)

Board Composition (continued)

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

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

Delegation by the Board

During the year ended 31 December 2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

For the year ended 31 December 2023, the Board managed the business and affairs of the Company in certain circumstances through an executive committee (the "**Executive Committee**") which comprises the Chairman of the Board, executive Directors, and the rotating Chief Executive Officer ("**CEO**"), as the representative of the CEO Office. The day-to-day administration and operation of the Company are delegated to the CEO Office. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Executive Committee has been dissolved with effect from 26 March 2024. Upon dissolution of the Executive Committee, its functions and duties have been taken over by the CEO Office. For details of the functions and duties of the CEO Office, please refer to the section headed "Chairman and Chief Executive Officer" on page 34 of this Annual report.

THE BOARD (CONTINUED)

Delegation by the Board (continued)

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

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

Chairman and Chief Executive Officer

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

During the year ended 31 December 2024, the position of Chairman was held by Mr. Luo Fei, and the position of CEO was first held by Mr. Akash Bedi[2], and subsequently by Mr. Nicholas Russell Lamande Mann.

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

Details of the biography of Mr. Akash Bedi, Mr. Nicholas Russell Lamande Mann and Ms. Fengting Li are set out in the section headed "Biography of Directors and Senior Management" on pages 24 to 30 of this Annual Report.

[2] The role of Mr. Akash Bedi as the CEO commenced in December 2023, with the first month being the transition period as the rotating CEO.

THE BOARD (CONTINUED)

Company Secretary

Ms. Yang Wenyun ("**Ms. Yang**") has been appointed as the Company Secretary of the Company. Details of the biography of the company secretary are set out in the section headed "Biography of Directors and Senior Management" on pages 24 to 30 of this Annual Report.

Ms. Yang has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2024.

Board Practices of Meetings

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

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

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

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

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

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

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

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

During the year ended 31 December 2024, the Board held four meetings. During the meetings of the Board held in 2024, the Board reviewed the operation and financial performance and reviewed and approved the annual results for the year ended 31 December 2023 and the interim results for the six months ended 30 June 2024.

Apart from the four Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2024.

THE BOARD (CONTINUED)

Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2024

Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meetings	ESG Committee Meetings (Note 5)	Annual General Meeting
Executive Directors						
Mr. Luo Fei (Note 1)	4/4	N/A	1/1	2/2	2/2	1/1
Mr. Wang Yidong	4/4	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Mrs. Laetitia Albertini (Note 2)	4/4	N/A	N/A	N/A	2/2	1/1
Dr. Zhang Wenhui	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Luo Yun	4/4	2/2	N/A	N/A	N/A	1/1
Mrs. Mingshu Zhao Wiggins	4/4	N/A	N/A	N/A	N/A	1/1
Independent non-executive Directors						
Mr. Tan Wee Seng (Note 3)	4/4	2/2	1/1	2/2	N/A	1/1
Mrs. Lok Lau Yin Ching	4/4	N/A	1/1	2/2	N/A	1/1
Professor Ding Yuan (Notes 4)	4/4	2/2	N/A	N/A	N/A	0/1 (Note 6)
Date of Meeting *(DD/MM/YYYY)*	26/03/2024 21/06/2024 27/08/2024 19/12/2024	25/03/2024 26/08/2024	26/03/2024	25/03/2024 18/12/2024	07/03/2024 06/12/2024	10/05/2024

Notes:

1: Chairman of the Board and Nomination Committee
2: Chairlady of the ESG Committee
3: Chairman of the Remuneration Committee
4: Chairman of the Audit Committee
5: Mrs. Pascale Laborde, a member of the ESG Committee, has attended 2 ESG committee meetings during the year ended 31 December 2024
6: Professor Ding Yuan, being the independent non-executive Director, was unable to attend the AGM due to his other personal engagement.

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

THE BOARD (CONTINUED)

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Independence of Independent Non-executive Directors

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

In order to better encourage the independent non-executive Directors to exert their professional knowledge and expertise for the Company, each of them was granted share options by the Company under the Share Option Schemes adopted by the Company. Details of such grant of share options are set out on page 63 of this Annual Report.

THE BOARD (CONTINUED)

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

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

Board and Committees' structure

The Company is steered by the Board comprising of a majority of non-executive Directors and independent non-executive Directors. Among the nine Directors, only two of them are executive Directors. In addition, for the year ended 31 December 2024, the role of the Chairman and the CEO Office (assuming the roles and responsibilities of CEO) are separated to ensure that there is a balance of power and authority.

Independent non-executive Directors' remuneration

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

Appointment of independent non-executive Directors

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

Annual review of the independent non-executive Directors' commitment and independence

The Board annually reviews each Director's time commitment to the Company. Directors' attendance records in 2024 are also disclosed in this Corporate Governance Report.

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

Conflict management

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

Professional advice

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

Term of Appointment of Non-executive Directors

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

THE BOARD (CONTINUED)

Appointment, Re-election and Removal of Directors

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

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

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

In accordance with the Company's Articles of Association adopted by the Company on 10 May 2024, any Director appointed by the Board to fill a casual vacancy, or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an AGM at least once every three years and being eligible offer themselves for re-election.

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

Remuneration of Directors and Senior Management

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

The remuneration of each member of the senior management of the Group by band for the year ended 31 December 2024 is set out below:

Remuneration Bands	**Number of Persons**
Below HKD5,000,000	3
HKD5,000,001 to HKD8,000,000	2
HKD8,000,001 to HKD11,000,000	2

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

THE BOARD (CONTINUED)

Continuous Professional Development

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments to the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuing briefing and professional development for Directors are arranged where necessary. All Directors are encouraged to attend relevant training courses at the Company's expense. In 2024, the Company engaged the external legal counsel to provide the training to the Directors so that the Directors learned the latest changes to the Listing Rules and CG Code.

During the year ended 31 December 2024, the Directors participated in the following trainings:

Directors	Type of Training *Note*
Executive Directors	
Mr. Luo Fei	A, B
Mr. Wang Yidong	A, B
Non-executive Directors	
Mrs. Laetitia Albertini	A, B
Dr. Zhang Wenhui	A, B
Mr. Luo Yun	A, B
Mrs. Mingshu Zhao Wiggins	A, B
Independent non-executive Directors	
Mr. Tan Wee Seng	A, B
Mrs. Lok Lau Yin Ching	A, B
Professor Ding Yuan	A, B

Notes:

Types of Training

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

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

THE BOARD (CONTINUED)

Corporate Governance Function

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

During the year ended 31 December 2024, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Company Code, Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and relevant disclosures in this Corporate Governance Report.

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2024. The Directors' responsibilities for preparing the financial statements of the Company for the year ended 31 December 2024 are set out in the Directors' Report on page 86 of this Annual Report.

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

Liability Insurance for Directors

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities since August 2011, which is reviewed and renewed on an annual basis. The insurance coverage was renewed on 18 August 2024.

NOMINATION COMMITTEE

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

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

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

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

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

The Nomination Committee held one meeting during the year ended 31 December 2024 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on the re-election of Directors and the attendance records are set out in the section headed "Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2024" on page 36 of this Annual Report.

BOARD DIVERSITY POLICY

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTOR NOMINATION POLICY

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

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

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

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

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

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

In accordance with Articles 84(1) and 84(2) of the Company's Articles of Association, Dr. Zhang Wenhui and Mr. Luo Yun, the non-executive Directors and Mr. Tan Wee Seng, the independent non-executive Director, shall retire from office by rotation at the forthcoming AGM to be held on 12 May 2025 (the "**2025 AGM**"). All the above Directors, being eligible, will offer themselves for re-election at the 2025 AGM.

According to B.2.3 of the CG Code, further appointment of an independent non-executive director who serves more than nine years should be subject to a separate resolution to be approved by shareholders.

Mr. Tan Wee Seng, who is an independent non-executive Director and has served the Board for more than nine years, will retire by rotation and offer himself for re-election at 2025 AGM. The re-election of Mr. Tan Wee Seng as independent non-executive Director will be considered by a vote on separate resolutions at the 2025 AGM.

The Company's circular dated 3 April 2025 contains detailed information of the Directors standing for re-election.

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

The Audit Committee has reviewed the Company's interim results for the six months ended 30 June 2024 and the annual results for the year ended 31 December 2024, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 and the Annual Report for the year ended 31 December 2024, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, scope of work and the re-appointment of the external auditors, connected transactions and arrangement for employees to raise concerns about possible improprieties. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditors.

The Audit Committee held two meetings during the year ended 31 December 2024 and the attendance records are set out in the section headed "Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2024" on page 36 of this Annual Report.

The Audit Committee also met the external auditors twice without the presence of the executive Directors in the year of 2024.

AUDIT COMMITTEE (CONTINUED)

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements of the Company is set out in the Independent Auditor's Report on pages 87 to 91 of this Annual Report.

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

The Audit Committee has reviewed the independence and objectivity of the external auditors in 2024 and has been satisfied with the findings. The Audit Committee has recommended to the Board the re-appointment of Ernst & Young as the Company's external auditors at the 2025 AGM.

During the year ended 31 December 2024 under review, the remuneration paid/payable to the Company's external auditors, Ernst & Young, is set out below:

Type of Services	RMB'000
Annual audit services	8,534
Non-audit services	
– Other financial services	10,071
– Review of interim condensed consolidated financial statements	2,482
– Other advisory services	858
– Tax advisory & global compliance services	119
Total	22,064

REMUNERATION COMMITTEE

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

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

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

REMUNERATION COMMITTEE (CONTINUED)

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and the senior management, assessed performance of executive Directors, approved the terms of executive Directors' service contracts, and reviewed and/or approved matters relating to share schemes under Chapter 17 of the Listing Rules for the year ended 31 December 2024 under review. Especially, the Remuneration Committee reviewed the remuneration package for the rotating CEO to ensure attractiveness but also in line with the Company's remuneration governance principles.

The Remuneration Committee held two meetings during the year ended 31 December 2024 and the attendance records are set out in the section headed "Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2024" on the page 36 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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

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

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

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

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

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

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

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

The ESG Committee has reviewed and recommended the Group's sustainability materiality assessment, discussed the Group's climate action plan, reviewed the diversity, equity and inclusion strategy, and recommended to the Board the inclusion of environmental, social and governance metrics into the Chief Executive Officer 2024 short term incentive plan.

The ESG Committee held two meetings during the year ended 31 December 2024 and the attendance record is set out in the section headed "Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2024" on the page 36 of this Annual Report.

EXECUTIVE COMMITTEE

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

Duties of the Board

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Risk Management

1. Main Features of H&H Risk Management System

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

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

Drawing on the COSO Enterprise Management Framework and ISO 31000 standards, the Company has developed a customized H&H Risk Management Framework. This framework explicitly outlines roles and responsibilities, the risk management process, communication channels, training programs, and other fundamental principles. In 2024, the Company further enhanced its risk management mechanisms by establishing and updating its control policies, protocols, and operational procedures to address evolving risks.

(ii) Risk Management Organization and Accountability

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

– Governance Body – The Board and its Committees

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

– First Line – Business and Functional Units

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

– Second Line – Functional Units

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

– Third Line – Internal Audit & Risk Management Function ("**IARM**")

To conduct independent and objective assurance on the effectiveness of risk management activities, and directly report to the Board and its Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Risk Management (continued)

2. Risk Management Process

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

– Periodic Enterprise Risk Assessments

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

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

– Group Signing Authority Policy (PoA Policy) and Group Delegation of Authority Policy (DoA Policy)

In 2024, the Group significantly enhanced its authorization management framework by formulating and releasing the Group Signing Authority Policy (PoA Policy), which became effective on April 15, 2024. This policy strengthened internal controls and standardized signing protocols by clearly delineating authorized signatories for contracts and their authorities across the Group and its subsidiaries, with established limitations to ensure compliance and optimize operational efficiency. Furthermore, the Group updated its Delegation of Authority Policy (DoA Policy) and released the latest DoA Matrices in May 2024, covering all regions and functions outside of China. These policies and accompanying matrices established a robust framework for exercising approval authorities, setting out implementation regulations and responsibilities throughout the H&H Group.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Risk Management (continued)

2. Risk Management Process (continued)

Internal Control Systems

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

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

2. Communication and Oversight

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

3. Internal Control Reviews and Targeted Audits

   In 2024, leveraging effective collaboration with auditees, IARM successfully conducted approximately 10 targeted audits spanning multiple operational domains. These audits encompassed system implementations, process optimizations, and management evaluations, including the targeted audits on platform and management process of ZhiCai Mall in the CN Region, the full audit on warehousing process audit at GZ Factory, and the Risk & Control Matrix assessment and updates for the EU Region. These projects provided further enhancement on the Group's IC process.

3. Business Ethics and Integrity

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

1. *The Annual Compliance Training:*

   By the end of 2024, 100% of around 3000 team members of the Company have received this Annual Compliance Training Program across all regions. The program covers a wide range of compliance topics, including codes of conduct, finance and expense compliance, anti-monopoly, information security, inside information and securities dealing, anti-fraud, conflict of interest management and ESG. It is an annual mandatory training program refreshing all employees with latest compliance requirements, etc.

   Whistle-blowing and Anti-fraud Management:

   Our whistle-blower reporting platform 'HH Speak Up' has been functioning well since 2019. For 2024, 23 cases of non-compliance and fraud were reported to IARM, and 31 employees were dismissed or disciplined due to their violation of the Company's policies. We also sought the support from our external consultants for 4 cases, which significantly facilitated the fraud investigation.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Review of Risk and Control Management Effectiveness

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

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (CONTINUED)

During the year ended 31 December 2024, the Company attended 16 investors' conferences and roadshows and approximately 500 individual and group meetings with analysts, institutional investors and fund managers. The investors' conferences and roadshows attended by the Company during the twelve months ended 31 December 2024 are summarized as follows:

Date	Event	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
Aug-24	Post Interim Results Non-deal Roadshow	Citi/CLSA/Goldman Sachs	Hong Kong
Sep-24	HSBC 11th Annual China Conference	HSBC	Shenzhen
Sep-24	Huaxi Securities Q3 Conference	Huaxi	Shenzhen
Sep-24	Huatai Securities Fall Season Investment Summit	Huatai	Shenzhen
Sep-24	CLSA Investors' Forum	CLSA	Virtual
Sep-24	BofA Asia Credit Meeting	BofA	Virtual
Sep-24	Nomura Credit Corporate Day	Nomura	Virtual
Sep-24	Goldman Sachs China+ Conference	Goldman Sachs	Virtual
Nov-24	Citi China Investor Conference	Citi	Virtual
Dec-24	Non-deal Roadshow	Deutsche Bank/Goldman Sachs/Morgan Stanley	Hong Kong

The last shareholders' meeting was the AGM held on 10 May 2024 at Suites 3101-3104, 31/F, Jardine House, 1 Connaught Place, Central, Hong Kong for approval of, among other items, the general mandates to issue and repurchase shares of the Company, the re-election of retiring Directors and the adoption of the amended and restated articles of association. Particulars of the major items considered at the AGM are set out in the circular dated 17 April 2024. All the proposed ordinary resolutions and special resolution were passed by way of poll at the AGM.

The 2025 AGM will be held on 12 May 2025. The notice of AGM will be sent to shareholders not less than twenty-one (21) clear days.

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

CONSTITUTIONAL DOCUMENT

By a special resolution passed at the AGM held on 10 May 2024, the Company adopted a new set of amended and restated Memorandum and Articles of Association to reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules and make other housekeeping amendments. For details, please refer to the announcement and circular of the Company dated 17 April 2024 and the new Memorandum and Articles of Association of the Company.

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

DIVIDEND POLICY

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

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

SHAREHOLDER RIGHTS

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

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

Procedures by which Enquiries may be Put to the Board

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

Shareholders' Communication Policy

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

DIRECTORS' **REPORT**

The Board hereby presents its report and the audited financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2024 are set out in note 1 to the financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2024 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 6 to 11 and pages 12 to 23, respectively, of this Annual Report.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2024 are set out in the consolidated financial statements on pages 92 to 98 of the Annual Report. The Board declared an interim dividend of HKD0.30 per ordinary share in respect of the six months ended 30 June 2024. The Directors recommended the payment of a final dividend of HKD0.05 per ordinary share for the year ended 31 December 2024 to be paid on or about Wednesday, 9 July 2025 to the shareholders whose names appear on the register of members of the Company on Wednesday, 21 May 2025. This recommendation has been incorporated in the financial statements as an allocation of retained profit within the equity section of the statement of financial position.

The final dividend of HKD0.05 per ordinary share is subject to approval by the shareholders in the 2025 AGM. Such dividends will be distributed from the retained profits of the Company. Details of the dividends for the year ended 31 December 2024 are set out in note 10 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the 2025 AGM

The register of members of the Company will be closed from Wednesday, 7 May 2025 to Monday, 12 May 2025, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the entitlement to attend and vote at the 2025 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 6 May 2025.

(b) Entitlement to the proposed final dividend

The register of members of the Company will be closed from Monday, 19 May 2025 to Wednesday, 21 May 2025, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 May 2025.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2024 are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year ended 31 December 2024 are set out in note 32 to the financial statements.

RESERVE

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2024 are set out in notes 44 and 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves, including the share premium account and contributed surplus and retained profits, available for distribution, calculated in accordance with the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Act**"), amounted to approximately RMB9,051.2 million, of which approximately RMB30.0 million have been proposed as a final dividend for the year. Details of the reserves of the Company as at 31 December 2024 are set out in note 44 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 210 of this Annual Report. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, sales to the Group's five largest customers accounted for less than 30% of the total revenue for the year. None of the Directors or their close associates or any of the substantial shareholders of the Company had any interest in any of the five largest customers of the Group.

Purchases by the Group from the largest supplier accounted for 16.4% of the total purchases of the Group for the year ended 31 December 2024, while the purchases made from the five largest suppliers accounted for 45.7% of the total purchases of the Group for the year. None of the Directors or their associates or any of the shareholders of the Company had any interest in any of the five largest suppliers of the Group.

DIRECTORS

The Directors of the Company during the year ended 31 December 2024 and up to the date of this Annual Report are as follows:

Executive Directors

Mr. Luo Fei
Mr. Wang Yidong

Non-executive Directors

Mrs. Laetitia Albertini
Dr. Zhang Wenhui
Mr. Luo Yun
Mrs. Mingshu Zhao Wiggins (appointed with effect from 1 January 2024)

Independent non-executive Directors

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

In accordance with Articles 84(1) and 84(2) of the Articles, Dr. Zhang Wenhui, Mr. Luo Yun and Mr. Tan Wee Seng shall retire from office by rotation. All of them, being eligible, will offer themselves for re-election at the 2025 AGM.

DIRECTORS' SERVICE CONTRACTS

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

Directors	Date of appointment	Last Re-election Date	Expiry date of current service contract/ appointment letter
Executive Directors			
Mr. Luo Fei	17 December 2010	10 May 2024	16 December 2026
Mr. Wang Yidong	26 March 2018	10 May 2024	25 March 2027
Non-executive Directors			
Mrs. Laetitia Albertini	1 January 2023	12 May 2023	31 December 2026
Dr. Zhang Wenhui	25 June 2012	12 May 2023	24 June 2027
Mr. Luo Yun	17 December 2010	12 May 2023	16 December 2026
Mrs. Mingshu Zhao Wiggins	1 January 2024	10 May 2024	31 December 2026
Independent non-executive Directors			
Mr. Tan Wee Seng	17 December 2010	13 May 2022	16 December 2026
Mrs. Lok Lau Yin Ching	24 March 2020	10 May 2024	23 March 2026
Professor Ding Yuan	1 January 2023	12 May 2023	31 December 2026

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

PERMITTED INDEMNITY PROVISIONS

The Articles of the Company provide that the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty. Such provisions were in force during the year ended 31 December 2024 and remained in force as of the date of this Annual Report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors during the year ended 31 December 2024.

REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 December 2024 are set out in note 8 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 24 to 30 of this Annual Report.

EMPLOYEES AND EMOLUMENT POLICY

The Group's emolument policies are formulated on the performance of individual employees and on the basis of the salary trends in the regions in which the Group operates, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted the 2010 Share Option Scheme, the 2011 Share Award Scheme, the 2013 Share Award Scheme, the 2020 Share Option Scheme, the 2022 Share Award Scheme and the 2024 Share Scheme (each as defined below) for its employees. As at 31 December 2024, there were two schemes which remained in full force and effect, i.e. the 2022 Share Award Scheme and the 2024 Share Scheme.

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

As at 31 December 2024, the Group employed 2,800 employees approximately. Further information please refer to our 2024 ESG report.

None of the Directors waived any emoluments during the year ended 31 December 2024.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 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 SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules, are set out below:

Name of Director	Capacity/Nature of interest	Long/Short position	Shares or underlying shares (under equity derivatives of the Company)	Approximate percentage of interest in the Company *(Note 5)*
Mr. Luo Fei	Beneficial owner	Long position	1,185,196 *(Note 1)*	0.18%
	Beneficial owner	Long position	493,002 *(Note 2)*	0.08%
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	Long position	432,000,000 *(Note 3)*	66.92%
Mr. Wang Yidong	Beneficial owner	Long position	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)*	0.01%
Mr. Luo Yun	Beneficiary of a trust (other than a discretionary interest)	Long position	432,000,000 *(Note 3)*	66.92%
Mrs. Mingshu Zhao Wiggins	Beneficial owner	Long position	40,000 *(Note 4)*	0.01%
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)	0.01%
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)*	0.01%
Professor Ding Yuan	Beneficial owner	Long position	32,000 *(Note 1)*	0.01%
	Beneficial owner	Long position	48,000 *(Note 4)*	0.01%

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

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

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

Note 3: As at 31 December 2024, Coliving Holdings Limited, which formerly known as Biostime Pharmaceuticals (China) Limited and changed its name in October 2024, was owned as to 57.25% by Coliving Limited, and therefore, Coliving Holdings Limited was deemed to be controlled by Coliving Limited.

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

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

Note 4: These are awarded shares granted by the Company under the 2022 Share Award Scheme which had not vested as at 31 December 2024.

Note 5: As at 31 December 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 31 December 2024.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 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. The Company also repurchased on market USD3,000,000 in principal amount of the 13.5% senior notes due 2026, representing approximately 1.0% of the outstanding principal amount of the 13.5% senior notes due 2026.

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 year ended 31 December 2024.

SHARE SCHEMES

The Company has adopted six share schemes for share options and/or share awards. As at 31 December 2024, there were two schemes which remained in full force and effect, i.e. the 2022 Share Award Scheme and the 2024 Share Scheme. The number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the year ended 31 December 2024 divided by the weighted average number of shares of the relevant class in issue for the year ended 31 December 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. There is no specific maximum entitlement for each Eligible Participant under the 2024 Share Scheme.

The scheme administrator may determine in its absolute discretion the amount (if any) payable on application or acceptance of an award and the period within which any such payments must be made under the 2024 Share Scheme, and such amounts (if any) and periods shall be set out in the award letter. Unless otherwise specified in the award letter, the grantee shall have 28 days from the grant date to accept the award, following which, the portion not accepted by the grantee shall automatically lapse.

SHARE SCHEMES (CONTINUED)

2024 Share Scheme (continued)

The scheme administrator may determine in its absolute discretion the exercise period for any award of share options and/or share awards and such period shall be set out in the award letter under the 2024 Share Scheme. However, the exercise period for any award of share options shall not be longer than 10 years from the grant date of such share options.

The scheme administrator may determine in its absolute discretion the issue price for the exercise of share awards and/or the exercise price for share options for awards in the form of share awards and/or share option (as the case may be) and such prices shall be set out in the award letter.

The scheme administrator may determine the vesting period and specify such period in the award letter under the 2024 Share Scheme. The vesting period may not be for a period less than 12 months from the grant date, except in limited circumstances set out in the scheme rules for the 2024 Share Scheme.

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 years.

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

During the year ended 31 December 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 31 December 2024 were nil and 64,556,135, respectively.

The total number of shares available for issue under the 2024 Share Scheme as at 31 December 2024 was 64,556,135, representing approximately 10% of the Company's issued share capital (excluding treasury shares, if any) as at 31 December 2024.

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).

SHARE SCHEMES (CONTINUED)

2022 Share Award Scheme (continued)

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

SHARE SCHEMES (CONTINUED)

2022 Share Award Scheme (continued)

Particulars and movements of awarded shares under the 2022 Share Award Scheme during the year ended 31 December 2024 by category of grantees were as follows:

		Number of Awarded Shares					
Category of Grantees	**Date of grant**	**Outstanding as at 1 January 2024**	**Granted during the year ended 31 December 2024**	**Vested during the year ended 31 December 2024[1]**	**Lapsed during the year ended 31 December 2024**	**Cancelled during the year ended 31 December 2024**	**Outstanding as at 31 December 2024**
Directors							
Mr. Wang Yidong	08/04/2022	555,692	–	(238,153)	–	–	317,539
Ms. 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)	(145,081)	–	795,499
Sub-total		1,646,008	–	(705,428)	(145,081)	–	795,499
Total		**2,449,700**	**120,000**	**(1,079,581)**	**(145,081)**	**–**	**1,345,038**

Note:

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

SHARE SCHEMES (CONTINUED)

2022 Share Award Scheme (continued)

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

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

The 120,000 awarded shares granted to Mrs. Laetitia Albertini and Mrs. Mingshu Zhao Wiggins on 28 March 2024 shall vest in accordance with the following schedule:

Vesting Date	Number of Awarded Shares to be vested
1 April 2024	32,000 awarded shares
1 April 2025	88,000 awarded shares

The total number of awarded shares available for grant under the 2022 Share Award Scheme mandate as at 1 January 2024 and 31 December 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 31 December 2024 was 57,808,894, representing approximately 8.95% of the Company's issued share capital (excluding treasury shares, if any) as at 31 December 2024.

SHARE SCHEMES (CONTINUED)

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. No valuation on share options ("**Share Options**") granted under the 2020 Share Option Scheme was made for the year ended 31 December 2024.

Eligible participants of the 2020 Share Option Scheme include the Company's Directors (including independent non-executive Directors), other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholders in the Company's subsidiaries.

The remaining life of the 2020 Share Option Scheme is approximately 5 years until 7 May 2030.

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

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

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

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

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

SHARE SCHEMES (CONTINUED)

2020 Share Option Scheme (continued)

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

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

Particulars and movements of Share Options under the 2020 Share Option Scheme during the year ended 31 December 2024 by category of grantees were as follows:

			Number of Share Options					
Category of Grantees	**Date of grant (DD/MM/YYYY)**	**Exercise price per Share (HKD)**	**Outstanding as at 1 January 2024**	**Granted during the year ended 31 December 2024**	**Exercised during the year ended 31 December 2024**	**Lapsed during the year ended 31 December 2024**	**Cancelled during the year ended 31 December 2024**	**Outstanding as at 31 December 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	–	–	(2,120,122)	–	853,356
	13/07/2021	31.02	551,945	–	–	(374,661)	–	177,284
Sub-total			**3,525,423**	**–**	**–**	**(2,494,783)**	**–**	**1,030,640**
Total			**4,651,791**	**–**	**–**	**(2,890,045)**	**–**	**1,761,746**

No Share Options granted under 2020 Share Option Scheme were exercised and cancelled during the year ended 31 December 2024.

SHARE SCHEMES (CONTINUED)

2020 Share Option Scheme (continued)

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 31 December 2024 was the same as the number of outstanding Share Options, i.e. 1,761,746, representing approximately 0.27% of the Company's issued share capital (excluding treasury shares, if any) as at 31 December 2024.

2010 Share Option Scheme

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

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

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

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

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

SHARE SCHEMES (CONTINUED)

2010 Share Option Scheme (continued)

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

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

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

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

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

SHARE SCHEMES (CONTINUED)

2010 Share Option Scheme (continued)

Particulars and movements of Share Options under the 2010 Share Option Scheme during the year ended 31 December 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 1 January 2024	Granted during the year ended 31 December 2024	Exercised during the year ended 31 December 2024	Lapsed during the year ended 31 December 2024	Cancelled during the year ended 31 December 2024	Outstanding as at 31 December 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	–	–	(436,429)	–	274,216
	30/09/2016	20.92	38,568	–	–	(23,488)	–	15,080
	23/12/2016	23.30	50,893	–	–	(32,131)	–	18,762
	19/04/2017	25.75	248,477	–	–	(40,817)	–	207,660
	07/07/2017	22.15	42,644	–	–	(19,445)	–	23,199
	24/08/2017	29.25	2,512,295	–	–	(802,510)	–	1,709,785
	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	–	–	(38,002)	–	375,720
	09/07/2019	45.79	59,298	–	–	–	–	59,298
	25/03/2020	26.10	100,000	–	–	–	–	100,000
Sub-total			**4,467,518**	**–**	**–**	**(1,408,725)**	**–**	**3,058,793**
Total			**6,207,750**	**–**	**–**	**(1,513,073)**	**–**	**4,694,677**

No Share Options granted under 2010 Share Option Scheme were exercised and cancelled during the year ended 31 December 2024.

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

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

Since the 2010 Share Option Scheme was terminated with effect from 8 May 2020, the total number of shares that may be issued in respect of Share Options granted under the 2010 Share Option Scheme as at 31 December 2024 was the same as the number of outstanding Share Options, i.e. 4,694,677, representing approximately 0.73% of the Company's issued share capital (excluding treasury shares, if any) as at 31 December 2024.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2024.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 31 December 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)*
Coliving Holdings 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%

Note 1: As at 31 December 2024, Coliving Holdings Limited was owned as to 57.25% by Coliving Limited, and therefore, Coliving Holdings Limited was deemed to be controlled by Coliving Limited.

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

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

Note 2: As at 31 December 2024, the total number of the issued shares of the Company was 645,561,354.

Save as mentioned above, as at 31 December 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.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceedings during the year ended 31 December 2024.

LOAN AND GUARANTEE

During the year ended 31 December 2024, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling shareholders of the Company or their respective connected persons.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2024, the Company did not enter into any equity-linked agreement.

MANAGEMENT CONTRACTS

No contract, other than service contracts/appointment letters disclosed above, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2024.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

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

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 3 December 2010 (the "**Prospectus**")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2024 and up to the date of the Annual Report, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2024 are set out in note 40 to the consolidated financial statements, and the transactions as set out therein do not fall under "Connected Transactions" or "Continuing Connected Transactions" in accordance with Chapter 14A of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

On 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. Further details of the syndicated loan facilities due in June 2025 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.

On 10 July 2024, as the conditions precedent to the utilization of the 2024 June 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 (together with the term loan facilities, collectively the "**2024 August Refinancing Facilities**").

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.

On 13 November 2024, as the conditions precedent to the utilization of the 2024 August Refinancing Facilities have been satisfied, and upon the Group's request for utilization, the 2024 August Refinancing Facilities have been utilized in the principal amount equivalent to US$540,000,000.

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

CONTRACTUAL ARRANGEMENTS IN RELATION TO MAMA100 E-COMMERCE

Background

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

2022 Structure Contracts

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

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

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

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

Pursuant to the 2022 Structure Contracts:

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

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

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

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

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

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

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

Major provisions of the 2022 Structure Contracts

(1) 2022 Exclusive Management and Consultancy Service Agreement

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

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

(2) 2022 Equity Interests Pledge Agreement

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

(3) 2022 Exclusive Call Option Agreement

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

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

Major provisions of the 2022 Structure Contracts (continued)

(4) 2022 Business Management Agreement

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

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

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

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

(5) 2022 Power of Attorney and 2022 Undertaking

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

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

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

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

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

Major provisions of the 2022 Structure Contracts (continued)

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

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

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

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

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

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

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

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

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

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

(6) 2022 Trademark License Agreement

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

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

2022 Platform Service Agreement

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

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

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

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

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

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

(v) other platform services requested by the Company.

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

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

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

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

Information of Mama100 E-commerce

Business

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

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

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

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

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

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

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

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

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

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

Information of Mama100 E-commerce (continued)

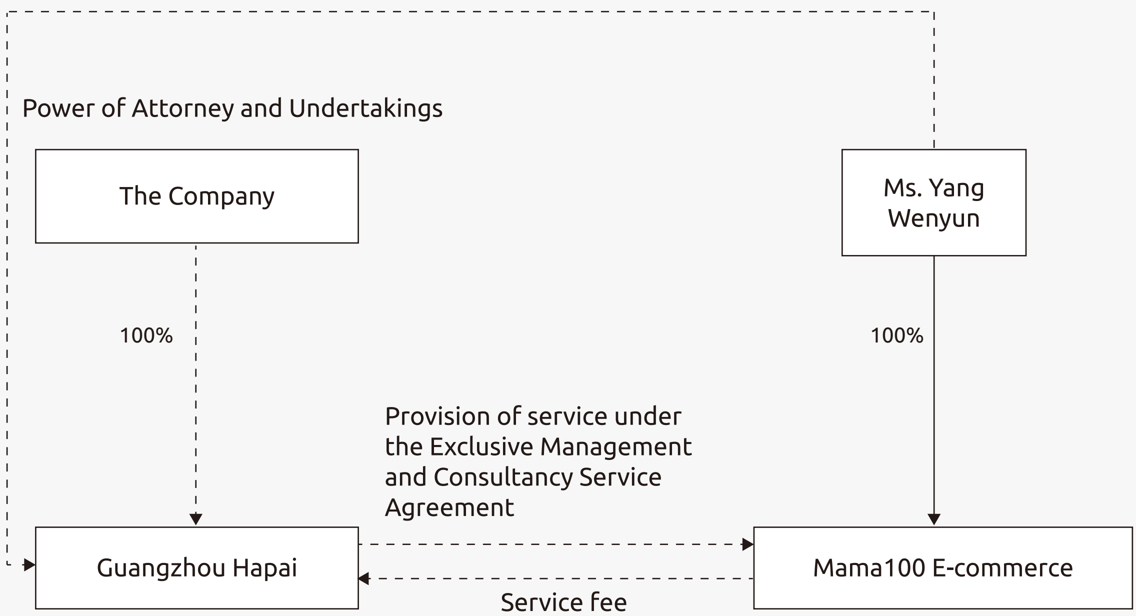
Financial Information

The key financial information for the year ended 31 December 2024 of Mama100 E-commerce is set out below:

	RMB'000
Total assets as at 31 December 2024	17,354
Revenue for the year ended 31 December 2024	1,562

Corporate Structure

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



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

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

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

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

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

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

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

Risks involved in the 2022 Structure Contracts

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

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

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

Internal control

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

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

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

Termination of the Contractual Arrangements

According to the 2022 Exclusive Call Option Agreement, Guangzhou Hapai is irrevocably entitled to, as and when permitted by applicable PRC laws and regulations, acquire the entire equity interest in Mama100 E-commerce held by Ms. Yang Wenyun for a consideration in the amount of RMB10,000, or when appraisal is required under PRC law, 1% of the appraisal price or at the lowest price permitted by the then applicable PRC laws and regulations.

Due to the changes of business operation strategies, the Group decides to cease conducting the e-commerce businesses operated by Mama100 E-commerce. Accordingly, the ICP License held by Mama100 E-commerce was no longer renewed after it expired in 2024. On 17 March 2025, Guangzhou Hapai notified Mama100 E-commerce and Ms. Yang Wenyun of its intention to acquire the entire equity interest in Mama100 E-commerce held by Ms. Yang Wenyun. On 25 March 2025, the Company, Guangzhou Hapai, Mama100 Hong Kong, Mama100 E-commerce and/or Ms. Yang Wenyun entered into three agreements to terminate the contractual arrangements among them (the "**Termination of Contractual Arrangements**"), including (i) a termination agreement to terminate the Structured Contracts; (ii) a termination agreement to terminate the 2022 Platform Service Agreement; and (iii) a share transfer agreement, pursuant to which Guangzhou Hapai shall acquire the entire equity interest in Mama100 E-commerce held by Ms. Yang Wenyun for a consideration in the amount of RMB55,000.

Since the ICP License expired in 2024, the Group, either by itself or through Mama100 E-commerce, has not operated the value-added telecommunication services in China.

CONNECTED TRANSACTIONS

During the year ended 31 December 2024, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the Company's interim results for the six months ended 30 June 2024 and the annual results for the year ended 31 December 2024, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 and the annual report for the year ended 31 December 2024, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, scope of work and the re-appointment of the external auditors, connected transactions and arrangement for employees to raise concerns about possible improprieties. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the Company Code and the Model Code during the year ended 31 December 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2024.

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 31 to 55 of this Annual Report.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2024.

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2024 have been audited by Ernst & Young who shall retire at the 2025 AGM. A resolution will be proposed at the 2025 AGM to re-appoint Ernst & Young as external auditor of the Company.

On behalf of the Board
Luo Fei
Chairman

Hong Kong, 25 March 2025

安永

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

OPINION

We have audited the consolidated financial statements of Health and Happiness (H&H) International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 92 to 209, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets with indefinite lives	
As at 31 December 2024, the Group recorded goodwill and intangible assets with indefinite lives of RMB7,603,641,000 and RMB4,286,021,000 respectively, which represented 40% and 23% of the total assets of the Group, respectively. The Group is required to perform annual impairment testing for goodwill and intangible assets with indefinite lives. Management performed impairment tests on these assets by using the discounted cash flow model as at 31 December 2024. During the year, impairment losses of RMB124,000,000 were recognised in relation to two cash-generating units under other paediatric products segment. This area was important to our audit due to significant judgement and estimates involved in the assessment of the recoverable amounts of these assets. This assessment required management to make assumptions to be used in the discounted cash flow model. The most critical assumptions were growth rates and discount rates. The disclosures about impairment testing of goodwill and intangible assets with indefinite lives are included in note 16 to these financial statements.	The audit procedures we performed, among others, included the following: • involving our valuation specialists to assist us in evaluating the methodologies, discount rates and long-term growth rates used by management, as appropriate, to estimate the recoverable amounts of goodwill and intangible assets; • evaluating the assumptions used by management and assessing the forecasts used with respect to future revenue and operating results by comparing the forecasts with the historic performance of the respective cash-generating units to which the goodwill or the intangible assets with indefinite lives were allocated and their business development plans; • assessing the growth rates in sales by comparing them to the industry trend; • considering the sensitivity in the available headroom for the cash-generating units, evaluating whether reasonably possible changes in assumptions could cause the carrying amounts to exceed the recoverable amounts; and • considering the adequacy of the relevant disclosures in the Group's financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of inventories	
As at 31 December 2024, the carrying amount of inventories was RMB1,906,675,000, after netting of the provision for impairment of RMB273,939,000. The provision for impairment mainly related to certain obsolete and slow-moving inventories. Significant management judgement was required in assessing whether there would be obsolete and slow-moving inventories at the year end. The specific factors considered by management in the estimation of the provision included types of inventories, conditions of the inventories, expiration dates of inventories, and the forecasted inventory usage and sales. The disclosures about the provision for impairment of inventories are included in notes 2.4 and 3 to these financial statements.	The audit procedures we performed, among others, included the following: • obtaining an understanding of management's process about how to identify the obsolete and slow-moving inventories and calculate the provision; • evaluating management's assumptions used to calculate the provision amount for obsolete and slow-moving inventories by checking the ageing of inventories and the subsequent usage and sales of inventories on a sampling basis; • testing samples of inventory items held by the Group to assess their costs and net realisable values; and • attending and observing management's inventory counts at major locations to assess the conditions of inventories.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

25 March 2025

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

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	13,051,708	13,926,470
Cost of sales		(5,136,196)	(5,632,214)
Gross profit		7,915,512	8,294,256
Other income and gains	5	162,559	214,557
Selling and distribution expenses		(5,569,618)	(5,599,680)
Administrative expenses		(779,384)	(848,453)
Other expenses		(588,626)	(336,404)
Finance costs	6	(920,611)	(773,489)
Share of losses of associates	19	(23,039)	(17,185)
PROFIT BEFORE TAX	7	196,793	933,602
Income tax expense	9	(250,514)	(351,757)
(LOSS)/PROFIT FOR THE YEAR		(53,721)	581,845
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		54,676	(80,489)
Reclassification adjustments for (losses)/gains included in profit or loss		(55,426)	425
Income tax effect		(1,250)	27,393
		(2,000)	(52,671)
Hedges of net investments:			
Effective portion of changes in fair value of hedging instruments arising during the year		75,446	41,345
Exchange differences on translation of foreign operations		(138,117)	15,146
Exchange differences on net investments in foreign operations		(65,039)	71,996
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(129,710)	75,816
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		(12,089)	(25,897)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(141,799)	49,919
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(195,520)	631,764
(Loss)/profit attributable to owners of the parent		(53,721)	581,845
Total comprehensive (loss)/income attributable to owners of the parent		(195,520)	631,764
		RMB	RMB
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		(0.08)	0.91
Diluted		(0.08)	0.90

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**318,506**	369,545
Right-of-use assets	13(a)	**118,734**	141,202
Goodwill	14	**7,603,641**	7,820,522
Intangible assets	15	**5,295,021**	5,582,409
Deposits	18	**46,556**	28,903
Investments in associates	19	**111,911**	134,950
Deferred tax assets	31	**530,681**	580,624
Derivative financial instruments	28	**20,567**	48,057
Other non-current financial assets	20	**174,164**	202,358
Total non-current assets		**14,219,781**	14,908,570
CURRENT ASSETS			
Inventories	21	**1,906,675**	2,374,801
Trade and bills receivables	22	**927,179**	1,060,254
Prepayments, other receivables and other assets	23	**177,215**	247,113
Bonds receivable	17	**–**	78,592
Derivative financial instruments	28	**–**	927
Pledged deposits	24	**7,652**	7,430
Cash and cash equivalents	24	**1,603,920**	1,364,283
Total current assets		**4,622,641**	5,133,400
CURRENT LIABILITIES			
Trade payables	25	**907,383**	1,040,677
Other payables and accruals	26	**1,937,772**	2,216,061
Contract liabilities	27	**48,949**	200,461
Derivative financial instruments	28	**–**	103,924
Interest-bearing bank loans and other borrowings	29	**860,905**	4,289,907
Lease liabilities	13(b)	**26,532**	37,415
Senior notes	30	**2,247**	432,237
Tax payable		**88,581**	120,507
Total current liabilities		**3,872,369**	8,441,189
NET CURRENT ASSETS/(LIABILITIES)		**750,272**	(3,307,789)

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NET CURRENT ASSETS/(LIABILITIES)		**750,272**	(3,307,789)
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,970,053**	11,600,781
NON-CURRENT LIABILITIES			
Senior notes	30	**2,117,248**	1,228,363
Interest-bearing bank loans and other borrowings	29	**6,304,559**	3,164,988
Lease liabilities	13(b)	**48,351**	69,643
Other payables and accruals	26	**1,803**	6,119
Derivative financial instruments	28	**266**	50,646
Deferred tax liabilities	31	**684,455**	785,798
Total non-current liabilities		**9,156,682**	5,305,557
Net assets		**5,813,371**	6,295,224
EQUITY			
Issued capital	32	**5,519**	5,519
Reserves	35	**5,777,852**	6,188,111
Proposed dividend	10	**30,000**	101,594
Total equity		**5,813,371**	6,295,224

Luo Fei
Director

Wang Yidong
Director

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2024

	Notes	Issued capital RMB'000	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000	Cash flow hedge reserve RMB'000	Fair value reserve of financial assets through other comprehensive income RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total equity RMB'000
At 1 January 2024		5,519	694,991	(45,303)	26,992	95	382,665	78,505	16,208	(389,730)	(1,217,025)	2,000	(67,898)	6,706,611	101,594	6,295,224
Loss for the year		-	-	-	-	-	-	-	-	-	-	-	-	(53,721)	-	(53,721)
Other comprehensive income/(loss) for the year:																
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	-	-	(12,089)	-	-	(12,089)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	-	(2,000)	-	-	-	(2,000)
Hedges of net investments		-	-	-	-	-	-	-	-	75,446	-	-	-	-	-	75,446
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(138,117)	-	-	-	-	-	(138,117)
Exchange differences on net investments in foreign operations		-	-	-	-	-	-	-	-	(65,039)	-	-	-	-	-	(65,039)
Total comprehensive loss for the year		-	-	-	-	-	-	-	-	(127,710)	-	(2,000)	(12,089)	(53,721)	-	(195,520)
Equity-settled share award arrangements	34	-	-	7,623	-	-	-	-	(15,196)	-	-	-	-	3,281	-	(4,292)
Transfer of share option reserve upon the forfeiture or expiry of share options	33	-	-	-	-	-	-	(14,295)	-	-	-	-	-	14,295	-	-
Final 2023 and interim 2024 dividend declared		-	-	-	-	-	-	-	-	-	-	-	-	(180,447)	(101,594)	(282,041)
Proposed final 2024 dividend	10	-	-	-	-	-	-	-	-	-	-	-	-	(30,000)	30,000	-
At 31 December 2024		5,519	694,991*	(37,680)*	26,992*	95*	382,665*	64,210*	1,012*	(517,440)*	(1,217,025)*	-*	(79,987)*	6,460,019	30,000	5,813,371

* These reserve accounts comprise the consolidated reserves of RMB5,777,852,000 (2023: RMB6,188,111,000) in the consolidated statement of financial position as at 31 December 2024.

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2024

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

CONSOLIDATED **STATEMENT OF CASH FLOWS**

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**196,793**	933,602
Adjustments for:			
Bank interest income	5	**(12,639)**	(22,676)
Interest income from loans and bonds receivables	5	**–**	(1,736)
Finance costs	6	**920,611**	773,489
Net gains on partial repurchase of the senior notes	5	**–**	(20,803)
Share of losses of associates	19	**23,039**	17,185
Depreciation of property, plant and equipment	7	**69,352**	69,713
Depreciation of right-of-use assets	7	**37,848**	36,500
Amortisation of intangible assets	7	**193,792**	196,040
Loss on disposal of items of property, plant and equipment and intangible assets	7	**4,510**	2,677
Gains on revision of lease term or early termination of leases	7	**(32)**	(29)
Reversal of impairment property, plant and equipment	7	**–**	(1,273)
Impairment of goodwill	7	**108,343**	55,671
Impairment of intangible assets	7	**15,657**	41,660
Impairment of trade receivables	7	**3,906**	3,076
Impairment/(reversal of impairment) of other receivables	7	**2,758**	(7,083)
Write-down of inventories to net realisable value	7	**247,284**	313,243
Reversal of equity-settled share option expense	7	**–**	(17,359)
(Reversal of)/equity-settled share award expense	7	**(4,292)**	13,571
Fair value gains on derivative financial instruments, net	7	**(50,890)**	(24,930)
Fair value losses/(gains) on other non-current financial assets	7	**13,040**	(28,174)
Foreign exchange losses, net	7	**176,791**	4,771
		1,945,871	2,337,135
Decrease/(increase) in inventories		**195,924**	(72,194)
Decrease/(increase) in trade and bills receivables		**100,324**	(270,672)
Decrease in prepayments, other receivables and other assets		**55,519**	17,179
Increase in rental deposits		**(8,867)**	(503)
(Increase)/decrease in restricted deposits		**(160)**	3,337
Decrease in trade payables		**(146,478)**	(299,828)
Decrease in other payables and accruals		**(305,973)**	(2,331)
Decrease in contract liabilities		**(160,258)**	(59,133)
Cash generated from operations		**1,675,902**	1,652,990
Corporate income tax paid		**(329,479)**	(556,171)
Net cash flows from operating activities		**1,346,423**	1,096,819

CONSOLIDATED **STATEMENT OF CASH FLOWS**

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Net cash flows from operating activities		**1,346,423**	1,096,819
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(56,658)**	(58,067)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**11,190**	7,641
Additions to intangible assets		**(40,650)**	(32,908)
Addition to other non-current financial assets		**(2,101)**	–
Receipt of bonds receivable		**78,592**	–
Partial disposal of other non-current financial assets		**–**	1,376
Withdrawal of time deposits with original maturity of three months or more when acquired		**–**	6,000
Interest received		**10,522**	23,887
Net cash flows from/(used in) investing activities		**895**	(52,071)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes	30	**906,794**	407,985
Payment of transaction costs for issue of senior notes		**(43,228)**	(37,290)
Payment of transaction costs for exchange of senior notes		**–**	(60,340)
Payment for partial repurchase of the senior notes	30	**(454,865)**	(599,642)
New guaranteed bonds and bank loans		**3,330,048**	610,000
Payment of transaction costs for issue of guaranteed bonds and bank loans		**(233,412)**	–
Repayment of bank loans		**(3,636,709)**	(1,092,607)
Payment of lease liabilities	13(b)	**(53,499)**	(36,315)
Interest paid		**(706,138)**	(750,046)
Proceeds from certain CCSs (as defined in note 28)		**69,611**	38,177
Proceeds from the termination of certain CCSs and Swaps (as defined in note 28)		**32,307**	–
Dividends paid		**(281,908)**	(474,529)
Net cash flows used in financing activities		**(1,070,999)**	(1,994,607)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**276,319**	(949,859)
Cash and cash equivalents at beginning of year		**1,364,283**	2,297,660
Effect of foreign exchange rate changes, net		**(36,682)**	16,482
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,603,920**	1,364,283
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**1,603,920**	1,364,283

31 December 2024

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Mama100 E-commerce Co., Limited ("**Mama100 E-commence**") **	PRC/Mainland China	RMB2,000,000	–	100%	Online sales, provision of software and information technology services
New H2 Limited	Hong Kong	HKD1	–	100%	International investment
Health and Happiness (H&H) Hong Kong Limited ("**H&H HK**") ö #	Hong Kong	HKD3,240,571,943 USD460,000,000	–	100%	Investment holding, international investment, and trading
Health and Happiness France	France	EUR15,872,414	–	100%	Design, research and manufacture baby products, trading, marketing and distribution of organic baby food and nutritional supplements for pets
Farmland Dairy Pty. Ltd. ("**Farmland**")	Australia	AUD13,684,817	–	100%	Manufacture and distribution of infant formulas
Health and Happiness (H&H) Singapore PTE. Limited	Singapore	SGD100	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) (Thailand) Co., Ltd	Thailand	THB100,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Trading India Private Limited	India	INR600,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

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

31 December 2024

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Biostime Pharma	France	EUR13,206,000	100%	–	Research and development of nutritional products
Swisse Wellness Pty Ltd. ö #	Australia	AUD100	–	100%	Research, development, procurement and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse Wellness Pty Limited	New Zealand	NZD10,100	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
S W Translink Packaging Pty Ltd.	Australia	AUD1	–	100%	Packaging service
PT Health and Happiness Indonesia	Indonesia	IDR10,001,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Taiwan Limited	PRC/Taiwan	TWD500,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults

31 December 2024

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Basis of consolidation

The consolidated financial statements include these financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year's financial statements.

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

The nature and the impact of the revised IFRS Accounting Standards are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

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

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective IFRS Accounting Standards

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

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]

[1] Effective for annual periods beginning on or after 1 January 2025
[2] Effective for annual periods beginning on or after 1 January 2026
[3] Effective for annual/reporting periods beginning on or after 1 January 2027
[4] No mandatory effective date yet determined but available for adoption

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

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective IFRS Accounting Standards (continued)

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective IFRS Accounting Standards (continued)

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies

Investments in associates

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("**CGU**"s), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

Fair value measurement

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

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

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

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

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

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

Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

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

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipments that are considered to be of low value.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

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

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, derivative financial instruments, senior notes, lease liabilities and interest-bearing bank loans.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

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

Cash flow hedges

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

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

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

Hedges of net investments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Income tax (continued)

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

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

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

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

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Sales rebates

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customers).

Right-of-return assets

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

Refund liabilities

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Share-based payments

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

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

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

Dividends

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Foreign currencies

The functional currency of the Company is the HKD while the presentation currency of the Company for the financial statements is the RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as the Company's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of the entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Foreign currencies (continued)

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

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

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

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

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

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

If the inter-company loans are considered to be repaid in the foreseeable future and are not designated as the Company's net investments in foreign operations, the foreign exchange difference included in other expenses for the year would have been increased by RMB65,039,000 while the exchange differences on net investments in foreign operations recognised in other comprehensive loss would be decreased by the same amount.

Tax provisions

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Deferred tax assets (continued)

The Group has tax losses of RMB1,972,542,000 (2023: RMB1,883,761,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB430,900,000 (2023: RMB411,835,000). Further details on deferred taxes are disclosed in note 31 to the financial statements.

Estimation uncertainties

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

Variable consideration for returns and sales rebates

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

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

The Group's expected sales rebates are analysed on a per customer basis for contracts that are subject to a single sales threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

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

The Group updates its assessment of expected returns and sales rebates monthly and the refund liabilities are adjusted accordingly. Estimates of expected returns and sales rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of the customers' actual returns and rebate entitlements in the future. As at 31 December 2024, the amount recognised as refund liabilities included in other payables and accruals was RMB555,395,000 (2023: RMB561,164,000) for the expected returns and sales rebates.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to the financial statements. During the year, an impairment of goodwill of RMB108,343,000 (2023: RMB55,671,000) was charged to profit or loss.

Impairment of intangible assets with indefinite useful lives

The Group determines whether intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the intangible assets with indefinite useful lives. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the trademarks, brand names and distribution rights and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to these financial statements. During the year, an impairment of trademark and brand names of RMB15,657,000 (2023: RMB20,900,000) was charged to profit or loss.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 12 to the financial statements, respectively.

Provision for expected credit losses on trade receivables

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 22 to these financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties (continued)

Leases – Estimating the incremental borrowing rate

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

Provision for obsolete and slow-moving inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes a provision for inventory items identified to be no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which the estimate has been changed.

As at 31 December 2024, the carrying amount of inventories was approximately RMB1,906,675,000 (2023: RMB2,374,801,000) after netting off the allowance for inventories of approximately RMB273,939,000 (2023: RMB321,099,000).

Fair value of other non-current financial assets and derivative financial instruments

Where fair value of other non-current financial assets and derivative financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement including considerations of inputs such as liquidity risk, credit spread and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments. The fair values of the Group's other non-current financial assets and derivative financial instruments are disclosed in note 20 and note 28 to the financial statements, respectively.

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 paediatric products segment comprises the production and sale of dried baby food and baby care products; and

(e) the pet nutrition and care products segment comprises the production and sale of holistic pet food and multi-condition pet supplements.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is measured consistently with the Group's profit before tax except that interest income, other income and unallocated gains, share of results of associates, finance costs as well as head office and corporate expenses are excluded from this measurement.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the year ended 31 December 2024:

	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000	Adult nutrition and care products RMB'000	Other paediatric products RMB'000	Pet nutrition and care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue (note 5):							
Sales to external customers	3,332,404	821,291	6,696,222	228,582	1,973,209	–	13,051,708
Segment results	1,849,156	596,585	4,351,909	99,724	1,018,138	–	7,915,512
Reconciliations:							
Interest income							12,639
Other income and unallocated gains							149,920
Share of losses of associates							(23,039)
Corporate and other unallocated expenses							(6,937,628)
Finance costs							(920,611)
Profit before tax							196,793
Other segment information:							
Depreciation and amortisation	24,323	3,470	79,995	9,958	79,613	103,633	300,992
Impairment of trade receivables	–	–	680	3,185	41	–	3,906
Write-down of inventories to net realisable value	82,465	28,842	80,261	3,886	51,830	–	247,284
Impairment of goodwill and intangible assets	–	–	–	124,000	–	–	124,000
Capital expenditure*	32,879	878	15,076	16,176	12,889	10,487	88,385

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the year ended 31 December 2023:

	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000	Adult nutrition and care products RMB'000	Other paediatric products RMB'000	Pet nutrition and care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue (note 5):							
Sales to external customers	4,397,454	1,213,325	6,144,946	296,691	1,874,054	–	13,926,470
Segment results	2,301,461	927,470	4,030,219	123,698	911,408	–	8,294,256
Reconciliations:							
Interest income							24,412
Other income and unallocated gains							190,145
Share of losses of associates							(17,185)
Corporate and other unallocated expenses							(6,784,537)
Finance costs							(773,489)
Profit before tax							933,602
Other segment information:							
Depreciation and amortisation	24,104	6,841	87,660	9,444	77,713	96,491	302,253
Impairment of trade receivables	–	–	1,591	968	517	–	3,076
Write-down of inventories to net realisable value	157,915	2,701	117,676	7,490	27,461	–	313,243
Impairment of goodwill and intangible assets	–	–	41,660	55,671	–	–	97,331
Reversal of impairment of property, plant and equipment	–	–	–	–	(1,273)	–	(1,273)
Capital expenditure*	61,510	4,648	15,211	12,259	15,750	13,055	122,433

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2024 RMB'000	2023 RMB'000
Mainland China	8,685,410	9,972,668
Australia and New Zealand	2,012,705	1,794,566
North America	1,621,676	1,498,193
Other locations*	731,917	661,043
Total revenue	13,051,708	13,926,470

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

(b) Non-current assets

	2024 RMB'000	2023 RMB'000
Mainland China	104,247	441,364
Australia and New Zealand	2,119,545	2,358,609
North America	2,460,366	2,489,134
Other locations*	1,206,570	967,902
Total non-current assets	5,890,728	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 special administrative regions of the PRC.

Information about major customers

During the years ended 31 December 2024 and 2023, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of the revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers		
Sale of goods	13,051,708	13,926,470

(i) Disaggregated revenue information

For the year ended 31 December 2024

Segments	Infant formulas RMB'000	Probiotic and nutrition supplements RMB'000	Adult nutritional and care products RMB'000	Other paediatric products RMB'000	Pet nutrition and care products RMB'000	Total RMB'000
Geographical markets						
Mainland China	3,189,443	805,782	4,335,672	8,701	345,812	8,685,410
Australia and New Zealand	13,754	2,065	1,996,886	–	–	2,012,705
North America	–	753	28,493	–	1,592,430	1,621,676
Other locations*	129,207	12,691	335,171	219,881	34,967	731,917
Total	3,332,404	821,291	6,696,222	228,582	1,973,209	13,051,708
Timing of revenue recognition						
Goods transferred at a point in time	3,332,404	821,291	6,696,222	228,582	1,973,209	13,051,708

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2023

Segments	Infant formulas RMB'000	Probiotic and nutritional supplements RMB'000	Adult nutrition and care products RMB'000	Other paediatric products RMB'000	Pet nutrition and care products RMB'000	Total RMB'000
Geographical markets						
Mainland China	4,244,230	1,200,633	4,056,237	65,865	405,703	9,972,668
Australia and New Zealand	17,047	1,511	1,776,008	–	–	1,794,566
North America	–	560	33,165	–	1,464,468	1,498,193
Other locations*	136,177	10,621	279,536	230,826	3,883	661,043
Total	4,397,454	1,213,325	6,144,946	296,691	1,874,054	13,926,470
Timing of revenue recognition						
Goods transferred at a point in time	4,397,454	1,213,325	6,144,946	296,691	1,874,054	13,926,470

* Including the special administrative regions of the PRC.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	200,461	266,613

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

(ii) Performance obligations

The performance obligation is satisfied upon delivery of the Group's products. Advance payment is normally required for sales to customers in mainland China except in limited circumstances for credit sales. Credit sales are usually allowed for customers outside mainland China with credit terms of 30 to 90 days from end of month. Some contracts provide customers with a right of return and sales rebates which give rise to variable consideration subject to constraint.

Other income and gains

	2024 RMB'000	2023 RMB'000
Bank interest income	12,639	22,676
Interest income from loans and bonds receivables	–	1,736
Fair value gains on derivative financial instruments (note 7)	50,890	24,930
Fair value changes on other non-current financial assets	–	28,174
Government subsidies*	3,429	19,113
Gains from sales of raw materials	70,933	64,960
Gains from sale of scraps	2,136	7,389
Gains on revision of lease term or early termination of leases	32	29
Interest income from investment in Isigny Sainte Mère ("**ISM**")	7,932	5,815
Net gains on partial repurchase of the senior notes (note 30)	–	20,803
Reversal of impairment of other receivables	–	7,083
Reversal of impairment of property, plant and equipment	–	1,273
Others	14,568	10,576
Total other income and gains	162,559	214,557

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

6. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on interest-bearing bank loans and senior notes	863,414	801,335
Interest on lease liabilities (note 13(b))	6,454	6,270
Write-off of unamortised transaction costs for early repayment of interest-bearing bank loans	48,402	–
Amortised gain of interest rate hedge in relation to previous term loan	(1,761)	(62,908)
Transaction costs, net of gain on exchange of senior notes	–	28,792
Premium paid for partial repurchase of senior notes (note 30)	1,555	–
Premium paid for early redemption of guaranteed bonds	2,547	–
Total	920,611	773,489

7. PROFIT BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold		4,888,912	5,318,971
Depreciation of property, plant and equipment	12	69,352	69,713
Depreciation of right-of-use assets	13(c)	37,848	36,500
Amortisation of intangible assets	15	193,792	196,040
Auditor's remuneration		8,534	8,047
Research and development costs**		242,982	206,077
Lease payments not included in the measurement of lease liabilities	13(c)	6,897	12,186
Gains on revision of a lease term or early termination of leases*	13(c)	(32)	(29)
Loss on disposal of items of property, plant and equipment and intangible assets**		4,510	2,677
Employee benefit expenses (including directors' and chief executive's remuneration) (note 8(a)):			
Wages and salaries		1,026,628	1,197,911
Pension scheme contributions (defined contribution schemes)		162,293	191,399
Staff welfare and other expenses		66,204	87,470
Reversal of equity-settled share option expense	33	–	(17,359)
(Reversal of)/equity-settled share award expense	34	(4,292)	13,571
Total		1,250,833	1,472,992
Foreign exchange loss, net**		176,791	4,771
Fair value gains on derivative financial instruments, net*	28	(50,890)	(24,930)
Fair value losses/(gains) on other non-current financial assets		13,040**	(28,174)*
Reversal of impairment of property, plant and equipment*	12	–	(1,273)
Impairment of goodwill**	14	108,343	55,671
Impairment of intangible assets**	15	15,657	41,660
Impairment of trade receivables**	22	3,906	3,076
Impairment/(reversal of impairment) of other receivables		2,758**	(7,083)*
Write-down of inventories to net realisable value#		247,284	313,243
Net losses/(gains) from partial repurchase of the senior notes	30	1,555##	(20,803)*
Amortised gain of interest rate hedge in relation to previous term loan##	6	(1,761)	(62,908)
Transaction costs, net of gain on exchange of senior notes##	6	–	28,792

* Included in "Other income and gains" in profit or loss
** Included in "Other expenses" in profit or loss
\# Included in "Cost of sales" in profit or loss
\#\# Included in "Finance costs" in profit or loss

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	**7,519**	6,823
Other emoluments:		
Salaries, allowances and benefits in kind	**21,067**	11,128
Performance-related bonuses	**14,839**	10,214
Reversal of equity-settled share option expense	**–**	(2,556)
(Reversal of)/equity-settled share award expense	**(2,194)**	5,720
Pension scheme contributions	**406**	862
Termination benefits	**–**	2,677
Subtotal	**34,118**	28,045
Total fees and other emoluments	**41,637**	34,868

During the year and in prior years, share options and share awards were granted to certain directors and chief executive in respect of their services to the Group, further details of which are set out in notes 33 and 34 to the financial statements, respectively. The fair values of these options and awards, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amounts included in the financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and chief executive's remuneration (continued)

The remuneration of each of the directors and the chief executive for the year ended 31 December 2024 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	(Reversal of)/ equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2024						
Directors						
Executive directors:						
Mr. Luo Fei ("**Mr. Luo**")	788	2,492	–	–	24	3,304
Mr. Wang Yidong ("**Mr. Wang**")	788	6,715	6,853	(1,509)	202	13,049
Subtotal	1,576	9,207	6,853	(1,509)	226	16,353
Non-executive directors:						
Mrs. Laetitia Albertini	1,215	–	–	648	–	1,863
Mr. Luo Yun	788	–	–	–	–	788
Ms. Mingshu Zhao Wiggins	788	–	–	–	–	788
Dr. Zhang Wen Hui	788	–	–	–	–	788
Subtotal	3,579	–	–	648	–	4,227
Independent non-executive directors:						
Mr. Tan Wee Seng	788	–	–	206	–	994
Mrs. Lok Lau Yin Ching	788	–	–	206	–	994
Professor Ding Yuan	788	–	–	342	–	1,130
Subtotal	2,364	–	–	754	–	3,118
Total	7,519	9,207	6,853	(107)	226	23,698
Chief executive:						
Chief executive officer ("**CEO**")						
Office arrangement (note (b))	1,576	21,067	14,839	(3,596)	406	34,292
DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION						
Total*	7,519	21,067	14,839	(2,194)	406	41,637

* Taking into consideration the dual role of Mr. Luo and Mr. Wang as executive directors of the Company and members in the CEO office and to prevent duplicate counting, the aggregate remuneration payable to Mr. Luo and Mr. Wang of RMB16,353,000 for the years ended 31 December 2024 (2023: RMB945,000) was excluded in the disclosure of the total amount for the directors' and chief executive's remuneration.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and chief executive's remuneration (continued)

The remuneration of each of the directors and the chief executive for the year ended 31 December 2023 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Reversal of equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Termination benefits RMB'000	Total RMB'000
2023								
Directors								
Executive directors:								
Mr. Luo Fei ("**Mr. Luo**")	800	2,464	207	–	–	24	–	3,495
Mr. Wang Yidong ("**Mr. Wang**")	800	5,747	7,667	(2,336)	2,880	216	–	14,974
Subtotal	1,600	8,211	7,874	(2,336)	2,880	240	–	18,469
Non-executive directors:								
Mrs. Laetitia Albertini	1,223	–	–	–	1,502	–	–	2,725
Mr. Luo Yun	800	–	–	–	–	–	–	800
Dr. Zhang Wen Hui	800	–	–	–	–	–	–	800
Subtotal	2,823	–	–	–	1,502	–	–	4,325
Independent non-executive directors:								
Mr. Tan Wee Seng	800	–	–	–	435	–	–	1,235
Mrs. Lok Lau Yin Ching	800	–	–	–	435	–	–	1,235
Professor Ding Yuan	800	–	–	–	217	–	–	1,017
Subtotal	2,400	–	–	–	1,087	–	–	3,487
Total	6,823	8,211	7,874	(2,336)	5,469	240	–	26,281
Chief executive:								
Mr. Camillo Pane (note (a))	–	1,920	1,680	–	–	620	2,677	6,897
CEO Office arrangement (note (b))	133	1,744	660	(415)	491	22	–	2,635
Total	133	3,664	2,340	(415)	491	642	2,677	9,532
DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION								
Total*	6,823	11,128	10,214	(2,556)	5,720	862	2,677	34,868

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and chief executive's remuneration (continued)

Notes:

(a) Mr. Camillo Pane was appointed as the CEO from 1 September 2023 and resigned on 17 November 2023, whose remuneration is disclosed above.

(b) The Board has established a permanent governance body, the CEO Office, to assume the role and responsibilities of the CEO commencing from 1 December 2023. The CEO Office focuses on the Company's business development, strategy execution, and daily management and operations generally and reports to the chairman of the Board.

The CEO Office comprises (i) the rotating CEO, the position of which will be sequentially taken by regional CEO of North America and Europe, regional CEO of Asia, Australia and New Zealand, and regional CEO of China, who will act as the CEO of the Group by rotation (in the abovementioned order) for a term of 9 months each commencing on 1 December 2023; and (ii) as standing members, the Group's chief financial officer, the Group's chief operating officer, the Group's chief people officer and the chairman of the Board.

Mr. Akash Bedi served as the rotating CEO since 1 December 2023 for a term of 10 months and from 1 October 2024, Mr. Nick Mann, regional CEO of Asia, Australia and New Zealand took Mr. Akash Bedi's place as CEO of the Group for a period of 9 months. The members comprising the CEO Office include the rotating CEO, Mr. Wang, Mr. Zhang Qizhang and Mr. Luo.

No remuneration was paid to the CEO Office and the remuneration paid to the members comprising the CEO Office for the year ended 31 December 2024 and the period from 1 December 2023 to 31 December 2023, is disclosed above.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(b) Five highest paid employees

The five highest paid employees during the year included one (2023: two) director, details of whose remuneration are set out in note 8(a) above. Details of the remuneration for the year of the remaining four (2023: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	17,910	14,094
Performance-related bonuses	15,607	15,526
Reversal of equity-settled share option expense	–	(3,936)
(Reversal of)/equity-settled share award expense	(2,925)	4,609
Pension scheme contributions	385	218
Total	30,977	30,511

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
HKD6,500,001 to HKD7,000,000	2	–
HKD9,000,001 to HKD9,500,000	–	1
HKD9,500,001 to HKD10,000,000	1	–
HKD10,000,001 to HKD10,500,000	1	–
HKD10,500,001 to HKD11,000,000	–	1
HKD14,000,001 to HKD14,500,000	–	1
Total	4	3

During the year and in prior years, share options and share awards were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in notes 33 and 34 to the financial statements, respectively. The fair values of these share options and share awards, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amount included in the financial statements for the current year are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. INCOME TAX

	2024 RMB'000	2023 RMB'000
Current		
– Charge for the year		
Mainland China	**64,555**	112,829
Hong Kong	**86,677**	126,103
Australia	**108,993**	97,799
Elsewhere	**3,052**	420
– Over provision in the prior year	**(2,578)**	(2,823)
Deferred (note 31)	**(10,185)**	17,429
Total	**250,514**	351,757

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% (2023: 25%) on the taxable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Hapai and Biostime Health, the Company's wholly-owned subsidiaries operating in mainland China, were recognised as high-technology enterprise in December 2022 and 2023, respectively, and are subject to EIT at a rate of 15% for three years from 2022 to 2024 and from 2023 to 2025, respectively. Therefore, Guangzhou Hapai and Biostime Health were subject to EIT at a rate of 15% for the years ended 31 December 2024 and 2023.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HKD2,000,000 (2023: HKD2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

9. INCOME TAX (CONTINUED)

Australia corporate income tax

Australia corporate income tax has been provided at the rate of 30% (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 entitles.

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9. INCOME TAX (CONTINUED)

Income tax for other jurisdictions

The Group's tax provision in respect of other jurisdictions has been calculated at the applicable tax rates in accordance with the prevailing practices of the jurisdictions in which the Group operates.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	**196,793**	933,602
Tax at the applicable PRC enterprise income tax rate	**49,198**	233,401
Overseas tax differences	**32,280**	(17,723)
Tax effects on preferential tax rates	**(12,897)**	(27,584)
Expenses not deductible for tax	**207,642**	162,621
Tax incentive on eligible expenses	**(9,862)**	(7,704)
Tax losses utilised from previous periods	**(4,793)**	(744)
Income not subject to tax	**(66,748)**	(37,070)
Tax losses not recognised	**37,495**	27,255
Adjustment in respect of deferred tax of previous periods	**10,501**	–
Adjustment in respect of current tax of previous periods	**(2,578)**	(2,823)
Effect of withholding tax at 5% (2023: 5%) on the distributable profits of the Group's subsidiaries in mainland China	**10,276**	22,128
Tax charge at the Group's effective rate	**250,514**	351,757

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which it operates are above 15%. In a limited number of jurisdictions, the relevant entities are suffering loss or the transitional safe harbour relief applies. The management is not currently aware of any circumstances under which this might change. The Group does not expect a material exposure to Pillar Two income taxes. The Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

10. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends on ordinary shares declared and paid during the year:		
Interim – HKD0.30 (2023: HKD0.44) per ordinary share	175,861	258,860
Proposal final – HKD0.05 (2023: HKD0.18) per ordinary share	30,000	101,594

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 641,275,361 (2023: 640,141,115) outstanding during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2023 is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares under the share option schemes and the share award schemes. No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2024 in respect of a dilution as impact of the potential ordinary shares had an anti-dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2024 RMB'000	2023 RMB'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	(53,721)	581,845

	Number of shares	
Shares		
Weighted average number of ordinary shares outstanding	645,561,354	645,561,354
Weighted average number of shares held for the share award schemes	(4,285,993)	(5,420,239)
Adjusted weighted average number of ordinary shares outstanding used in the basic (loss)/earnings per share calculation	641,275,361	640,141,115
Effect of dilution – weighted average number of ordinary shares:		
Share options and awarded shares	–	4,725,807
Adjusted weighted average number of ordinary shares outstanding used in the diluted (loss)/earnings per share calculation	641,275,361	644,866,922

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2024	275,599	412,513	137,453	10,796	134,709	31,601	1,002,671
Additions	–	7,883	4,740	51	4,357	20,407	37,438
Disposals	(8,214)	(40,335)	(41,182)	(1,296)	(16,616)	(13,003)	(120,646)
Transfers	–	13,065	440	–	4,747	(18,252)	–
Exchange realignment	–	(8,605)	(1,084)	(24)	(1,417)	(556)	(11,686)
At 31 December 2024	267,385	384,521	100,367	9,527	125,780	20,197	907,777
Accumulated depreciation and impairment:							
At 1 January 2024	117,522	295,830	113,055	7,540	97,411	1,768	633,126
Depreciation provided during the year (note 7)	12,940	35,727	8,334	1,022	11,329	–	69,352
Disposals	(7,219)	(39,759)	(38,726)	(1,126)	(16,616)	(1,768)	(105,214)
Exchange realignment	–	(6,187)	(962)	(28)	(816)	–	(7,993)
At 31 December 2024	123,243	285,611	81,701	7,408	91,308	–	589,271
Net carrying amount:							
At 31 December 2024	144,142	98,910	18,666	2,119	34,472	20,197	318,506

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2023	275,599	376,897	146,538	12,411	126,833	26,556	964,834
Additions	–	17,418	8,509	242	5,180	24,759	56,108
Disposals	–	(888)	(23,232)	(1,872)	(737)	(736)	(27,465)
Transfers	–	14,455	3,508	–	1,843	(19,806)	–
Exchange realignment	–	4,631	2,130	15	1,590	828	9,194
At 31 December 2023	275,599	412,513	137,453	10,796	134,709	31,601	1,002,671
Accumulated depreciation and impairment:							
At 1 January 2023	104,178	257,708	116,742	7,734	87,049	3,041	576,452
Depreciation provided during the year (note 7)	13,344	34,621	10,292	1,425	10,031	–	69,713
Reversal of impairment for this year (note 7)	–	–	–	–	–	(1,273)	(1,273)
Disposals	–	(72)	(15,640)	(1,632)	(638)	–	(17,982)
Exchange realignment	–	3,573	1,661	13	969	–	6,216
At 31 December 2023	117,522	295,830	113,055	7,540	97,411	1,768	633,126
Net carrying amount:							
At 31 December 2023	158,077	116,683	24,398	3,256	37,298	29,833	369,545

13. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, buildings, plant and machinery, vehicles and office equipment. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings have varying lease terms of 1 to 10 years. Leases of plant and machinery generally have lease terms between 2 and 5 years, while vehicles and office equipment generally have lease terms between 1 and 10 years. The Group identified a lease embedded within a supplier contract for packaging and production for their operations, the obligations to which are expected to expire within 5.5 years.

The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Buildings RMB'000	Plant and Machinery RMB'000	Vehicles and office equipment RMB'000	Supplier contract RMB'000	Total RMB'000
As at 1 January 2023	53,109	76,560	3,474	2,092	7,485	142,720
Additions	–	29,146	–	5,775	–	34,921
Depreciation charge (note 7)	(1,484)	(25,253)	(1,318)	(3,491)	(4,954)	(36,500)
Disposal	–	(1,515)	–	–	–	(1,515)
Exchange realignment	–	1,297	55	174	50	1,576
As at 31 December 2023 and 1 January 2024	**51,625**	**80,235**	**2,211**	**4,550**	**2,581**	**141,202**
Additions	**–**	**9,113**	**–**	**137**	**–**	**9,250**
Early termination of leases	**–**	**(423)**	**–**	**(235)**	**–**	**(658)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	**9,048**	**–**	**–**	**–**	**9,048**
Depreciation charge (note 7)	**(1,235)**	**(29,742)**	**(1,325)**	**(3,035)**	**(2,511)**	**(37,848)**
Exchange realignment	**–**	**(2,182)**	**(97)**	**89**	**(70)**	**(2,260)**
As at 31 December 2024	**50,390**	**66,049**	**789**	**1,506**	**–**	**118,734**

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	**107,058**	101,143
New leases	**9,250**	34,921
Early termination of leases	**(690)**	(1,544)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**9,048**	–
Accretion of interest recognised during the year (note 6)	**6,454**	6,270
Payments	**(53,499)**	(36,315)
Exchange realignment	**(2,738)**	2,583
Carrying amount at 31 December	**74,883**	107,058
Analysed into:		
Current portion	**26,532**	37,415
Non-current portion	**48,351**	69,643

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities (note 6)	**6,454**	6,270
Depreciation charge of right-of-use assets (note 7)	**37,848**	36,500
Gains on revision of a lease term and early termination of leases (note 7)	**(32)**	(29)
Expense relating to short-term leases and leases of low-value assets (note 7)	**6,897**	12,186
Total amount recognised in profit or loss	**51,167**	54,927

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 36(c) and 39(b), respectively, to the financial statements.

14. GOODWILL

	2024 RMB'000	2023 RMB'000
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 year (note 7)	(108,343)	(55,671)
Exchange realignment	(108,538)	192,100
At 31 December	7,603,641	7,820,522
At 31 December		
Cost	7,960,300	8,071,122
Accumulated impairment	(356,659)	(250,600)
Net carrying amount	7,603,641	7,820,522

Impairment testing of goodwill

During the year ended 31 December 2024, impairment losses of RMB108,343,000 were provided on two CGUs under the other paediatric products segment (2023: impairment losses of RMB55,671,000 on two CGUs under the adult nutrition and care products segment and the other paediatric products segment).

Details of the impairment testing of goodwill have been set out in note 16 to the financial statements.

15. INTANGIBLE ASSETS

	Trademark and brand name* RMB'000	Licence RMB'000	Customer relationships RMB'000	D2C E-commerce Platform RMB'000	Unpatented product formula RMB'000	Distribution rights* RMB'000	Product registrations RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:									
At 1 January 2024	3,898,379	232,354	1,797,524	32,593	59,914	556,512	42,173	165,677	6,785,126
Additions	260	–	–	–	4,200	–	98	46,389	50,947
Disposal	(677)	–	–	–	(11)	–	–	(14,317)	(15,005)
Exchange realignment	(103,742)	(9,060)	(53,254)	128	(3,804)	–	65	(2,921)	(172,588)
At 31 December 2024	3,794,220	223,294	1,744,270	32,721	60,299	556,512	42,336	194,828	6,648,480
Accumulated amortisation and impairment:									
At 1 January 2024	49,532	103,265	874,702	32,593	34,222	–	4,916	103,487	1,202,717
Amortisation provided during the year (note 7)	–	14,263	139,026	–	7,358	–	7,860	25,285	193,792
Impairment during the year# (note 7)	15,657	–	–	–	–	–	–	–	15,657
Disposal	(677)	–	–	–	(5)	–	–	(14,055)	(14,737)
Exchange realignment	199	(3,589)	(37,347)	128	(2,104)	–	12	(1,269)	(43,970)
At 31 December 2024	64,711	113,939	976,381	32,721	39,471	–	12,788	113,448	1,353,459
Net carrying amount:									
At 31 December 2024	3,729,509	109,355	767,889	–	20,828	556,512	29,548	81,380	5,295,021

15. INTANGIBLE ASSETS (CONTINUED)

	Trademark and brand name* RMB'000	Licence RMB'000	Customer relationships RMB'000	D2C E-commerce Platform RMB'000	Unpatented product formula RMB'000	Distribution rights* RMB'000	Product registrations RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:									
At 1 January 2023	3,801,881	228,785	1,755,165	30,261	58,306	556,512	4,372	150,835	6,586,117
Additions	4,937	–	–	–	72	–	37,690	23,626	66,325
Disposal	–	–	–	–	(215)	–	–	(12,571)	(12,786)
Exchange realignment	91,561	3,569	42,359	2,332	1,751	–	111	3,787	145,470
At 31 December 2023	3,898,379	232,354	1,797,524	32,593	59,914	556,512	42,173	165,677	6,785,126
Accumulated amortisation and impairment:									
At 1 January 2023	25,413	87,741	700,804	12,778	27,843	–	1,338	90,893	946,810
Amortisation provided during the year (note 7)	–	14,218	148,712	3,170	5,539	–	2,705	21,696	196,040
Impairment during the year# (note 7)	20,900	–	4,089	15,850	–	–	821	–	41,660
Disposal	–	–	–	–	(181)	–	–	(11,770)	(11,951)
Exchange realignment	3,219	1,306	21,097	795	1,021	–	52	2,668	30,158
At 31 December 2023	49,532	103,265	874,702	32,593	34,222	–	4,916	103,487	1,202,717
Net carrying amount:									
At 31 December 2023	3,848,847	129,089	922,822	–	25,692	556,512	37,257	62,190	5,582,409

* Trademark, brand name and distribution rights are regarded as having indefinite useful lives as they are expected to generate net cash inflows to the Group indefinitely. As at 31 December 2024 and 2023, these intangible assets with indefinite useful lives were tested for impairment (note 16).

\# As at 31 December 2024, based on the recoverable amount of nil under the value in use calculation, impairment losses amounting to RMB15,657,000 were recognised on the trademark and brand name of Dodie™ (2023: an impairment of RMB41,660,000 on the brand name and other intangible assets of Aurelia™), respectively, details of which was disclosed in note 16 to the financial statements.

16. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives acquired through business combinations have been allocated to individual CGUs under the following four categories.

– Infant formulas;

– Adult nutrition and care products;

– Other paediatric products; and

– Pet nutrition and care products.

16. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

The respective carrying amounts of goodwill and intangible assets with indefinite useful lives allocated to the different CGUs, being the acquired companies or brands, are set out below:

	2024		2023	
	Goodwill RMB'000	Intangible assets with indefinite useful lives RMB'000	Goodwill RMB'000	Intangible assets with indefinite useful lives RMB'000
Infant formulas				
– Healthy Times™	44,083	34,633	43,434	34,529
– Biostime Changsha	–	–	–	–
– Farmland	70,050	–	75,356	–
	114,133	34,633	118,790	34,529
Adult nutrition and care products				
– Swisse™	4,810,235	1,688,038	4,948,710	1,815,905
– Swisse™ distribution right	–	556,512	–	556,512
– Aurelia™	–	–	–	–
	4,810,235	2,244,550	4,948,710	2,372,417
Other paediatric products				
– Good Gout™	–	86,433	50,108	90,101
– Dodie™	–	–	63,037	16,351
	–	86,433	113,145	106,452
Pet nutrition and care products				
– Solid Gold™	440,791	398,374	434,310	392,544
– Zesty Paws™	2,238,482	1,522,031	2,205,567	1,499,417
	2,679,273	1,920,405	2,639,877	1,891,961
	7,603,641	4,286,021	7,820,522	4,405,359

16. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projection based on financial budgets or forecasts approved by management covering a period of five years. The growth rates used to extrapolate the cash flows beyond the period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

The pre-tax discount rates applied to cash flow projections and the growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	Discount rate		Growth rate	
	2024	2023	2024	2023
Infant formulas	16.4%-20.6%	16.2%-17.4%	2.0%-2.2%	2.2%
Adult nutrition and care products	14.2%-14.6%	11.6%-15.6%	2.2%-2.7%	2.0%-2.7%
Other paediatric products	11.2%-12.7%	11.5%-15.8%	2.0%	2.0%
Pet nutrition and care products	9.4%-11.2%	9.4%-11.5%	2.0%-2.3%	2.0%

Assumptions were used in the value in use calculation of each CGU as at 31 December 2024 and 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and intangible assets with indefinite useful lives:

Forecasted revenue growth rates – The forecasted revenue growth rates are based on the historical sales data and market outlook perceived by management.

Forecasted gross margins – The bases used to determine the values assigned to the forecasted gross margins are the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant CGUs.

The values assigned to the key assumptions on market development of the CGUs, discount rates and raw materials purchase prices are consistent with external information sources.

In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount, except for the Good Gout™ CGU below.

In the opinion of the directors of the Company, for the Good Gout™ CGU, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. If the forecasted revenue growth rates increased or decreased by 1%, the impairment loss would decrease by RMB10,029,000 or increase by RMB9,055,000, respectively during the year ended 31 December 2024. If the forecasted profit margin increased or decreased by 1%, the impairment loss would decrease by RMB19,912,000 or increase by RMB15,493,000, respectively during the year ended 31 December 2024. If the discount rate increased or decreased by 0.5%, the impairment loss would increase by RMB6,116,000 or decrease by RMB11,528,000, respectively during the year ended 31 December 2024.

16. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

Following the annual impairment testing, an impairment loss of RMB124,000,000 (2023: RMB76,571,000) was charged to profit or loss during the year, due to the relevant intensive market competition. The details of the impairment loss were listed below:

CGU	Notes	Reportable segment	2024 RMB'000	2023 RMB'000
Aurelia™	(a)	Adult nutrition and care products	–	20,900
Good Gout™	(b)	Other paediatric products	47,981	55,671
Dodie™	(c)	Other paediatric products	76,019	–
			124,000	76,571

Notes:

(a) As at 31 December 2023, based on the recoverable amount of nil under the value in use calculation, an impairment loss of RMB20,900,000 was recognised on the brand name of Aurelia™.

Aurelia™ was acquired in 2019 and was engaged in research, development and sale of probiotic skincare products. The impairment losses were due to intense competition in the market of skincare products, which resulted in a decrease in sales of the CGU for the year as compared to the budget, and a corresponding decrease in expected future cash flow of the CGU.

(b) As at 31 December 2024 and 2023, based on the recoverable amounts of RMB95,797,000 and RMB154,177,000 under the value in use calculation, impairment losses amounting to RMB47,981,000 and RMB55,671,000 were recognised on the relevant goodwill of Good Gout™, respectively, which arose from the expected decline in the market demand. Good Gout™ was acquired in 2018 and was engaged in marketing and distribution of baby food products.

(c) As at 31 December 2024, based on the recoverable amount of nil under the value in use calculation, an impairment loss amounting to RMB76,019,000 was recognised on the relevant goodwill and intangible assets with indefinite useful lives of Dodie™, which arose from the expected decline in the market demand. Dodie™ was acquired in 2016 and was engaged in marketing and distribution of baby care products.

17. BONDS RECEIVABLE

	2024 RMB'000	2023 RMB'000
Bonds receivable	–	78,592
Less: Current portion	–	(78,592)
Non-current portion	–	–

The Group entered into a bond subscription agreement with ISM (the "**Bond Subscription Agreement**") on 2 January 2019, pursuant to which ISM issued, and the Group subscribed for 10,000,000 bonds, with a nominal value of EUR1 per bond, at a subscription price equivalent to the face value of the bond. The bonds bear interest at a rate of 2% per annum. The maturity date of the bonds is 2 January 2024, 5 years from the date of the bond subscription agreement. ISM has repaid the bond in January 2024.

18. DEPOSITS

	2024 RMB'000	2023 RMB'000
Deposits paid for purchase of items of property, plant and equipment	25,001	5,918
Deposits paid for purchase of intangible assets	4,971	15,268
Rental deposits	16,584	7,717
Total	46,556	28,903

19. INVESTMENTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets	53,519	76,558
Goodwill on acquisition	58,392	58,392
Total	111,911	134,950

The Group's prepayment with an associate is disclosed in note 23 to the financial statements.

Particulars of the associates are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Hangzhou Coamie Personal Care Products Co., Ltd.	RMB200,000,000	PRC/Mainland China	20%	Manufacture, retail and import and export of baby diapers
PROVEN Group, Inc. (formerly known as Life Spectacular, Inc.)	USD480	United States	24%	Development and sale of customised skincare products

The Group's shareholding in the associates represents equity shares held through the wholly-owned subsidiaries of the Company.

The following table illustrates the financial information of the Group's associates that is not material to the Group:

	2024 RMB'000	2023 RMB'000
Share of the associates' losses for the year	(23,039)	(17,185)
Share of the associates' total comprehensive losses	(23,039)	(17,185)
Aggregate carrying amount of the Group's investments in the associates	111,911	134,950

20. OTHER NON-CURRENT FINANCIAL ASSETS

	2024 RMB'000	2023 RMB'000
Financial assets at fair value through profit or loss:		
– Unlisted equity investments (note (a))	**53,421**	66,368
– Other unlisted investments (note (b))	**117,353**	120,510
Subtotal	**170,774**	186,878
Equity investments designated at fair value through other comprehensive income: (note (c))		
– Listed equity investments:		
BOD Australia Limited	**1,607**	1,730
Else Nutrition Holdings Limited	**533**	12,444
– Other unlisted investments	**1,250**	1,306
Subtotal	**3,390**	15,480
Total	**174,164**	202,358

Notes:

(a) These unlisted equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

(b) These unlisted investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

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

21. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**441,988**	554,568
Goods in transit	**318,500**	358,795
Work in progress	**188**	4,698
Finished goods	**1,145,999**	1,456,740
Total	**1,906,675**	2,374,801

22. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**952,310**	1,066,700
Less: Impairment provision	**(25,395)**	(25,730)
	926,915	1,040,970
Bills receivable	**264**	19,284
Net carrying amount	**927,179**	1,060,254

Advance payment is normally required for sales to customers in mainland China except in limited circumstances for credit sales. Credit sales are usually allowed for customers outside mainland China with credit terms of 30 to 90 days from end of month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. Bills receivable represent bank acceptance notes issued by banks in mainland China which are non-interest-bearing.

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

	2024 RMB'000	2023 RMB'000
Within 1 month	**623,546**	548,993
1 to 3 months	**245,038**	457,958
Over 3 months	**58,595**	53,303
Total	**927,179**	1,060,254

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	**25,730**	26,249
Impairment losses recognised (note 7)	**3,906**	6,180
Amount written off as uncollectible	**(3,025)**	(4,809)
Impairment losses reversed (note 7)	**–**	(3,104)
Exchange realignment	**(1,216)**	1,214
At end of year	**25,395**	25,730

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	**0.99%**	**3.73%**	**11.54%**	**16.35%**	**2.67%**
Gross carrying amount (RMB'000)	**701,030**	**169,969**	**23,939**	**57,372**	**952,310**
Expected credit losses (RMB'000)	**6,906**	**6,346**	**2,762**	**9,381**	**25,395**

As at 31 December 2023

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.86%	2.50%	9.95%	16.92%	2.41%
Gross carrying amount (RMB'000)	701,737	273,199	37,819	53,945	1,066,700
Expected credit losses (RMB'000)	6,005	6,833	3,762	9,130	25,730

None of the bills receivable is either past due or impaired. There was no recent history of default for bills receivable.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Prepayments	**59,164**	115,998
Deposits	**1,743**	5,736
Other receivables	**92,899**	106,409
Prepaid expenses	**20,695**	17,667
Right-of-return assets	**2,714**	1,303
Total	**177,215**	247,113

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

During the year, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	1,603,920	1,363,857
Time deposits	–	426
Restricted deposits	7,652	7,430
Subtotal	1,611,572	1,371,713
Less:		
Restricted deposits for operating leases	(1,313)	(789)
Restricted deposits for operating activity of a subsidiary	(6,339)	(6,641)
Subtotal	(7,652)	(7,430)
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	1,603,920	1,364,283
Denominated in RMB (note)	532,136	660,983
Denominated in other currencies	1,079,436	710,730
Total	1,611,572	1,371,713

Note:

The RMB is not freely convertible into other currencies, however, under mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. Long-term time deposits are with an original maturity over one year when acquired. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	**907,383**	1,040,677

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

	2024 RMB'000	2023 RMB'000
Within 1 month	**775,760**	863,196
1 to 3 months	**85,340**	133,620
Over 3 months	**46,283**	43,861
Total	**907,383**	1,040,677

The trade payables are non-interest-bearing and are normally settled on 30-90 day terms.

26. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Salaries and welfare payables		**175,346**	261,764
Accruals		**943,369**	1,122,435
Other tax payables		**42,105**	122,510
Other payables	(a)	**223,360**	154,307
Refund liabilities	(b)	**555,395**	561,164
Total		**1,939,575**	2,222,180
Less: Current portion		**(1,937,772)**	(2,216,061)
Non-current portion		**1,803**	6,119

Notes:

(a) Other payables are non-interest-bearing and have an average term of three months.

(b) Details of refund liabilities are as follows:

	2024 RMB'000	2023 RMB'000
Sales rebate	**542,621**	556,511
Sales return	**12,774**	4,653
Total	**555,395**	561,164

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27. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000	1 January 2023 RMB'000
Advances from customers	48,949	200,461	266,613

Contract liabilities represented the obligations to transfer goods to customers for which the Group has received consideration. Included in contract liabilities are advances received from customers.

28. DERIVATIVE FINANCIAL INSTRUMENTS

		2024		2023	
	Notes	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Current					
Early redemption option embedded in the senior notes	(a)	–	–	769	–
The Swaps (as defined below)	(b)	–	–	–	64,666
The CCSs (as defined below)					
– designated as hedge	(c)	–	–	–	8,341
– not designated as hedge	(c)	–	–	158	30,917
Total		–	–	927	103,924
Non-current					
Early redemption option embedded in the senior notes	(a)	5,517	–	14,355	–
The Swaps (as defined below)	(b)	–	–	10,413	–
The CCSs (as defined below)					
– designated as hedge	(c)	11,332	266	23,289	22,311
– not designated as hedge	(c)	3,718	–	–	28,335
Total		20,567	266	48,057	50,646

Notes:

(a) An early redemption option is embedded in the senior notes, details of which are set out in note 30 to the financial statements. The fair value of the early redemption option as at 31 December 2024 was RMB5,517,000 (2023: RMB15,124,000). A fair value loss of RMB14,917,000 was charged to profit or loss for the year (2023: RMB14,852,000).

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(b) Cash flow hedges

In the years ended 31 December 2024 and 2023, the Group had certain cross currency interest rate swaps and cross currency swaps (collectively, the "**Swaps**") to hedge its exposure arising from bank borrowings carried at floating rates and denominated in foreign currencies. Under the Swaps, the Group agreed with the counterparties to exchange, at specified interval, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts in specified currencies. There is an economic relationship between the hedged items and the hedging instruments as the terms of the Swaps match the term of the term loans denominated in USD. The cash flow hedge relating to the expected interest and principal payments was assessed to be highly effective.

During the year ended 31 December 2024, the Swaps were terminated upon repayment of the term loans denominated in USD. A gain of RMB54,676,000 (2023: a loss of RMB80,489,000) was included in the cash flow hedge reserve and a loss of the ineffective portion of RMB20,988,000 was charged to profit or loss for the year (2023: a gain of RMB85,000).

Hedge ineffectiveness can arise from:

- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

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28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(b) Cash flow hedges (continued)

The impacts of the hedging instruments on the statement of financial position as at 31 December 2023 are as follows:

	Notional amount USD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000
As at 31 December 2023				
Swaps A	171,513	10,413	Derivative financial instruments assets	10,076
Swaps B	179,733	(64,666)	Derivative financial instruments (liabilities)	(62,579)

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(b) Cash flow hedges (continued)

The impacts of the hedged items on the statement of financial position as at 31 December 2023 are as follows:

	Carrying amount RMB'000	Change in fair value used for measuring ineffectiveness RMB'000	Cash flow hedge reserve RMB'000
As at 31 December 2023			
USD interest-bearing bank loans	2,509,670	(63,804)	2,000

The effects of the cash flow hedge on the statement of profit or loss and other comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in profit or loss
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	RMB'000		Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	
Year ended 31 December 2024									
USD interest-bearing bank loans	54,676	(16,403)	38,273	(20,988)	Other expense	(55,426)	15,153	(40,273)	Finance costs/ other expense
Year ended 31 December 2023									
USD interest-bearing bank loans	(80,489)	27,521	(52,968)	85	Other expense	425	(128)	297	Finance costs/ other expense

(c) Hedges of net investments in foreign operations

As at 31 December 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 in the specified currencies.

For the CCSs designated as hedging instruments, there is an economic relationship between the hedged items and the hedging instruments as the net investment creates a translation risk that will match the foreign exchange risk on the CCSs. The Company has established a hedge ration of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investments in the foreign subsidiaries becomes lower than the amount of the CCSs.

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(c) Hedges of net investments in foreign operations (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount USD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000
As at 31 December 2024				
CCSs A	**179,800**	**10,252**	**Derivative financial instruments assets**	**46,944**
CCSs B	**30,050**	**814**	**Derivative financial instruments assets**	**(6,425)**
CCSs C	**–**	**–**	**Derivative financial instruments assets**	**21,299**
As at 31 December 2023				
CCSs A	179,800	(22,311)	Derivative financial instruments (liabilities)	(16,291)
CCSs B	50,000	(8,341)	Derivative financial instruments (liabilities)	(21,313)
CCSs C	321,000	23,289	Derivative financial instruments assets	22,546

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28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(c) Hedges of net investments in foreign operations (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring Ineffectiveness RMB'000	Exchange fluctuation reserve RMB'000
As at 31 December 2024		
Net investments in foreign subsidiaries	**75,516**	**(129,121)**
As at 31 December 2023		
Net investments in foreign subsidiaries	(23,839)	(204,567)

During the year, in respect of the CCSs designated as hedging instruments, a net gain of RMB75,446,000 (2023: RMB41,345,000) arising from the changes in fair value was included in exchange fluctuation reserve and a net gain of RMB28,079,000 (2023: RMB66,251,000) was recognised in profit or loss. For the CCSs not designated as hedging instruments, a net gain of RMB58,716,000 (2023: a net loss of RMB26,554,000) was recognised in profit or loss during the year.

29. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	31 December 2024			31 December 2023		
	Effective interest rate (%)**	Maturity	RMB'000	Effective interest rate (%)**	Maturity	RMB'000
Current						
Current portion of long term bank loan – unsecured	LPR+margin/ 4.55	2025	448,425	LPR+margin	2024-2025	588,078
Current portion of long term bank loan – secured	LPR/HIBOR/ SOFR+margin/ 4.05/6.70	2025	403,916	HIBOR/ SOFR+margin	2024	3,701,829
Current portion of RMB500,000,000 7.5% guaranteed bonds	9.28	2025	8,564	–	–	–
Total – current			860,905			4,289,907
Non-current						
Long term bank loans – unsecured	LPR+margin/ 4.55	2026-2027	631,759	LPR+margin	2025-2026	18,068
Long term bank loans – secured	LPR/HIBOR/ SOFR+margin/ 4.05/6.70	2026-2027	5,275,952	HIBOR/ SOFR+margin	2025	3,146,920
RMB500,000,000 7.5% guaranteed bonds	9.28	2027	396,848	–	–	–
Total – non-current			6,304,559			3,164,988
Total			7,165,464			7,454,895

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Analysed into:		
Bank loans repayable:		
within one year or on demand	852,341	4,289,907
in the second year	856,898	3,158,976
in the third to fifth years, inclusive	5,050,813	6,012
Subtotal	6,760,052	7,454,895
Other borrowings repayable:		
within one year or on demand	8,564	–
in the second year	–	–
in the third to fifth years, inclusive	396,848	–
Subtotal	405,412	–
Total	7,165,464	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:

(a) As at 31 December 2024 and 2023, certain of the Group's interest-bearing bank loans are guaranteed on a joint and several basis by the Company and certain of the Company's subsidiaries and are secured by fixed and floating charges over present and future assets of the Company and certain of its subsidiaries and assignments over the Company's and certain of its subsidiaries' rights to their material contracts and insurance policies. In addition, certain subsidiaries' shares are also pledged.

(b) Certain of the Group's interest-bearing bank loans are subject to the fulfilment of certain covenants relating to limitations on indebtedness. The Company regularly monitors its compliance with these covenants.

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 31 December 2024, the Group's interest-bearing bank loans were denominated in USD, HKD and RMB at aggregate amounts of RMB3,687,196,000 (2023: RMB4,845,953,000), RMB1,183,720,000 (2023: RMB2,002,796,000) and RMB2,294,548,000 (2023: RMB606,146,000), respectively.

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30. SENIOR NOTES

On 24 October 2019, the Company issued senior notes due 24 October 2024 with an aggregate principal amount of USD300,000,000 and coupon interest rate of 5.625% per annum (the "**2024 Notes**"). The Company repurchased certain amount in prior periods and repurchased and redeemed the remaining amount during the year.

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 31 December 2024, the outstanding principal amount of the 2026 Notes was USD297,000,000, after being repurchased from the open market with an aggregate principal amount of USD23,200,000 from the open market prior to 31 December 2024.

The 2024 Notes and the 2026 Notes are both listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The 2024 Notes are jointly and severally guaranteed, on a senior subordinated basis, by certain subsidiaries of the Company, and are secured on a second-ranking basis by a floating charge over the assets of the Company (other than any assets located in the PRC or shares of subsidiaries). The 2026 Notes are jointly and severally guaranteed, on a senior basis, by certain subsidiaries of the Company. The 2026 Notes and the Group's subsidiary guarantees are secured on a first-ranking basis, by floating charges over all or substantially all assets of the Company and its initial subsidiary guarantors (in each case other than any assets located in the PRC or shares of subsidiaries in the PRC that will not secure the 2026 Notes) and pledges/charges over shares of the initial subsidiary guarantors, namely Health and Happiness (H&H) China Limited ("**H&H China**") and Biostime Health.

Pursuant to their terms, the 2024 Notes and 2026 Notes are subject to the fulfilment of covenants relating to limitations on indebtedness and certain transactions of the Company and certain of its subsidiaries. The Company regularly monitors its compliance with these covenants.

The Company may redeem part or all of the senior notes at certain time and certain redemption prices as specified in the terms of the senior notes.

As at 31 December 2024, the fair value of the early redemption option embedded in the senior notes amounted to RMB5,517,000 (31 December 2023: RMB15,124,000), details of which are set out in note 28(a) to the financial statements.

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30. SENIOR NOTES (CONTINUED)

The movements of the senior notes during the years ended 31 December 2023 and 2024 are set out below:

	RMB'000
At 1 January 2023	1,905,559
Partial repurchase of the senior notes	(599,642)
Gain on partial repurchase of the senior notes (note 5)	(20,803)
Gain on exchange of senior notes	(31,548)
Upon the completion of the issuance of senior notes	
Proceeds received	407,985
Transaction cost incurred	(37,290)
Early redemption option embedded in senior notes	16,399
Interest charged during the year	168,888
Interest paid during the year	(172,349)
Exchange realignment	23,401
At 31 December 2023 and 1 January 2024	**1,660,600**
Partial repurchase of the senior notes	**(454,865)**
Loss on partial repurchase of the senior notes (note 6)	**1,555**
Upon the completion of the issuance of senior notes	
Proceeds received	**906,794**
Transaction cost incurred	**(44,365)**
Early redemption option embedded in senior notes	**5,103**
Interest charged during the year	**274,342**
Interest paid during the year	**(260,800)**
Exchange realignment	**31,131**
At 31 December 2024	**2,119,495**
Less: Current portion	**(2,247)**
Non-current portion	**2,117,248**

31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2024 and 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	60,231	385,410	43,449	177,757	16,276	22,490	40,389	746,002
(Charged)/credited to profit or loss for the year (note 9)	(19,710)	(23,818)	(9,461)	91,517	(14,583)	(8,335)	36,962	52,572
Deferred tax charged to equity during the year	–	–	–	–	(1,250)	–	–	(1,250)
Exchange realignment	–	(2,145)	–	1,538	(443)	(727)	(1,504)	(3,281)
Gross deferred tax assets at 31 December 2024	40,521	359,447	33,988	270,812	–	13,428	75,847	794,043
At 1 January 2023 (Restated)	24,434	404,737	85,421	68,039	–	24,888	50,454	657,973
Credited/(charged) to profit or loss for the year (note 9)	35,797	(20,098)	(41,972)	107,507	(11,642)	(2,776)	(10,544)	56,272
Deferred tax credited to equity during the year	–	–	–	–	27,393	–	–	27,393
Exchange realignment	–	771	–	2,211	525	378	479	4,364
Gross deferred tax assets at 31 December 2023	60,231	385,410	43,449	177,757	16,276	22,490	40,389	746,002

31. DEFERRED TAX (CONTINUED)

The movements in deferred tax assets and liabilities during the years ended 31 December 2024 and 2023 are as follows: (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	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	**103,020**	**22,783**	**796,499**	**18,489**	**10,385**	**951,176**
Charged/(credited) to profit or loss for the year (note 9)	**82,800**	**(10,899)#**	**(22,500)**	**(5,594)**	**(1,420)**	**42,387**
Exchange realignment	**2,308**	**209**	**(47,609)**	**(606)**	**(48)**	**(45,746)**
Gross deferred tax liabilities at 31 December 2024	**188,128**	**12,093**	**726,390**	**12,289**	**8,917**	**947,817**

	Depreciation allowance in excess of related depreciation RMB'000	Withholding tax on distributable profits of subsidiaries in the PRC RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Cash flow hedges RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023 (Restated)	16,930	45,996	741,933	23,037	20,173	8,535	856,604
Charged/(credited) to profit or loss for the year (note 9)	85,371	(23,396)#	36,222	(23,695)	(1,969)	1,168	73,701
Exchange realignment	719	183	18,344	658	285	682	20,871
Gross deferred tax liabilities at 31 December 2023	103,020	22,783	796,499	–	18,489	10,385	951,176

The amount represented a deferred tax provision of RMB10,276,000 (2023: RMB22,128,000) on the distributable profits of the Company's subsidiaries in mainland China after offsetting the realised deferred tax liabilities of RMB21,175,000 (2023: RMB45,524,000) arising from dividends declared by these subsidiaries to their foreign investors during the year.

31. DEFERRED TAX (CONTINUED)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 **RMB'000**	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position at 31 December	**530,681**	580,624
Net deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	**(684,455)**	(785,798)
Total	**(153,774)**	(205,174)

Deferred tax assets of RMB430,900,000 (2023: RMB411,835,000) have not been recognised in respect of tax losses of the Group as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

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

There were no movements in the Company's share capital for the years ended 31 December 2024 and 2023.

Share options

Details of the Company's share option schemes and the share options exercised under the schemes are included in note 33 to the financial statements.

33. SHARE OPTION SCHEMES

There are two valid share option schemes adopted by the Company on 25 November 2010 (the "**2010 Share Option Scheme**") and 8 May 2020 (the "**2020 Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The 2010 Share Option Scheme expired on 24 November 2020, and no further options shall be offered under the 2010 Share Option Scheme but in all other respects the provisions of the 2010 Share Option Scheme shall remain in full force and effect and options granted thereunder prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue. The 2020 Share Option Scheme will remain in force for ten years from 8 May 2020.

In respect of the 2020 Share Option Scheme, as same with the subscription price of options under the 2010 Share Option Scheme, the exercise price of the share options is determined by the board of directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

(i) Movements in share options

Movements in the number of share options outstanding and their related weighted average exercise prices are set out below:

31 December 2024

	2010 Share Option Scheme		2020 Share Option Scheme		
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	Total number of options '000
At 1 January 2024	29.86	6,208	31.78	2,016	8,224
Forfeited during the year	28.75	(1,007)	31.78	(254)	(1,261)
Expired during the year	18.36	(506)	–	–	(506)
At 31 December 2024	31.34	4,695	31.79	1,762	6,457

33. SHARE OPTION SCHEMES (CONTINUED)

(i) Movements in share options (continued)

31 December 2023

	2010 Share Option Scheme		2020 Share Option Scheme		
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	Total number of options '000
At 1 January 2023	29.76	6,719	31.78	4,924	11,643
Granted during the year	–	–	10.05	1,680	1,680
Forfeited during the year	29.18	(486)	13.08	(4,588)	(5,074)
Expired during the year	15.58	(25)	–	–	(25)
At 31 December 2023	29.86	6,208	31.78	2,016	8,224

No share options were exercised during the years ended 31 December 2024 and 2023.

Share option reserve of RMB14,295,000 related to the forfeited or expired shares that have been vested was transferred to retained profits during the year (2023: RMB5,620,000).

During the year, no share option expenses were reversed related to forfeited shares that have not been vested (2023: RMB17,359,000).

(ii) Outstanding share options

The exercise prices and exercise periods of the share options outstanding under the 2010 Share Option Scheme and the 2020 Share Option Scheme as at 31 December 2024 and 2023 are as follows:

33. SHARE OPTION SCHEMES (CONTINUED)

(ii) Outstanding share options (continued)

2010 Share Option Scheme

31 December 2024 Number of options '000	31 December 2023 Number of options '000	Exercise price* HKD per share	Exercise period
18	322	15.58	1-4–18 to 1-4–24
256	388	15.58	1-4–19 to 1-4–25
–	54	21.05	1-4–18 to 1-4–24
36	36	21.05	1-4–19 to 1-4–25
3	24	20.92	1-4–18 to 1-4–24
12	15	20.92	1-4–19 to 1-4–25
–	13	23.30	1-4–17 to 1-4–23
–	16	23.30	1-4–18 to 1-4–24
19	23	23.30	1-4–19 to 1-4–25
49	122	25.75	1-4–18 to 1-4–24
108	126	25.75	1-4–19 to 1-4–25
150	150	25.75	1-4–20 to 1-4–26
–	19	22.15	1-4–18 to 1-4–24
24	24	22.15	1-4–19 to 1-4–25
2,960	3,762	29.25	1-4–21 to 1-4–27
27	27	47.10	1-4–19 to 1-4–25
101	117	60.02	1-4–21 to 1-4–27
147	147	59.05	1-4–21 to 1-4–27
76	114	49.15	1-4–21 to 1-4–27
300	300	49.15	1-4–22 to 1-4–28
59	59	45.79	1-4–21 to 1-4–27
350	350	26.10	1-4–22 to 1-4–28
4,695	6,208		

33. SHARE OPTION SCHEMES (CONTINUED)

(ii) Outstanding share options (continued)

2020 Share Option Scheme

31 December 2024 Number of options '000	31 December 2023 Number of options '000	Exercise price* HKD per share	Exercise period
1,585	1,810	31.88	1-4–22 to 1-4–28
177	206	31.02	1-4–22 to 1-4–28
1,762	2,016		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At 31 December 2024, the share options outstanding under the 2010 Share Option Scheme and the 2020 Share Option Scheme were divided into two to three tranches at their respective grant dates. Generally, the first tranche vests one year after the grant date while the remaining tranches vest in the subsequent two to three years. There is a six-year exercise period for each share option granted under the 2010 Share Option Scheme and the 2020 Share Option Scheme.

The exercise in full of the outstanding share options under the two share option schemes would, under the present capital structure of the Company, result in the issue of 6,457,000 additional ordinary shares of the Company and additional share capital of HKD65,000 (equivalent to approximately RMB60,000) and share premium of HKD203,070,000 (equivalent to approximately RMB188,051,000) (before issue expenses).

Subsequent to the end of the reporting period, no share options were forfeited and exercised, respectively. At the date of approval of these financial statements, the Company had 6,457,000 share options outstanding under the two share option schemes, which represented approximately 1.0% of the Company's shares in issue as at that date.

33. SHARE OPTION SCHEMES (CONTINUED)

(iii) Fair value of the share options

The directors of the Company used Hull-White model to determine the fair value of the share options as at the grant date, which is to be expensed over the relevant vesting period. No share options were granted in the year ended 31 December 2024 (2023: 1,680,000).

Other than the exercise price disclosed above, significant judgement on parameters, such as dividend yield, expected volatility and risk-free interest rate, are required to be made by the directors in applying the Hull White model, which are summarised below:

	2024		2023	
	Options granted to directors	Options granted to other employees	Options granted to directors	Options granted to other employees
Dividend yield (%)	–	–	–	8.27
Expected volatility (%)	–	–	–	48.31
Risk-free interest rate (%)	–	–	–	3.66

34. SHARE AWARD SCHEMES

The board of directors of the Company approved a share award scheme (the "**2022 Share Award Scheme**") on 11 January 2022, from when the 2022 Share Award Scheme will remain in force for ten years unless otherwise cancelled or amended. The purposes of the 2022 Share Award Scheme are to recognise the contributions by certain employees of the Company or of any subsidiary and to give incentives thereto in order to retain and motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group, by providing them with the opportunity to acquire equity interests in the Company.

Subject to the terms of the 2022 Share Award Scheme and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the board of directors may at any time make an offer to any eligible person it may in its absolute discretion select to accept the grant of an award over such number of shares as it may determine.

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

During the years ended 31 December 2024 and 2023, no ordinary shares were purchased on the open market of the Stock Exchange for the 2022 Share Award Scheme.

34. SHARE AWARD SCHEMES (CONTINUED)

Summary of particulars of the shares granted under the 2022 Share Award Scheme (the "**Awarded Shares**") during the year is as follows:

					Number of Awarded Shares		
Date of grant	Number of Outstanding Awarded Shares as at 31 December 2023	Shares newly granted during the year	Fair value HKD	Vesting date	Vested during the year	Forfeited during the year	Outstanding Awarded Shares at 31 December 2024
2022/4/8	1,015,581	–	12,551,000	2024/4/1	(1,015,581)	–	–
2022/4/8	1,354,119	–	16,123,000	2025/4/1	–	(1,258,114)	96,005
2023/9/5	32,000	–	2,294,000	2024/4/1	(32,000)	–	–
2023/9/5	48,000	–	5,810,000	2025/4/1	–	–	48,000
2024/3/28	–	32,000	336,000	2024/4/1	(32,000)	–	–
2024/3/28	–	88,000	909,040	2025/4/1	–	–	88,000
	2,449,700	120,000	38,023,040		(1,079,581)	(1,258,114)	232,005

* Among these Awarded Shares granted, 88,000 of the Awarded Shares were granted to the executive directors and non-executive directors.

The Group reversed a share award expense of RMB4,292,000 during the year (2023: RMB13,571,000 recognised) in relation to the 2022 Share Award Scheme.

1,079,581 shares for the 2022 Share Award Scheme were awarded upon vesting during the year. The difference of the fair values and the costs related to the vested Awarded Shares, amounted to RMB10,904,000 and RMB7,623,000, respectively, was transferred to retained profits during the year.

The directors of the Company determine the fair value of the share awards as at the grant date, which is measured at the market price of the entity's shares, adjusted by the present value of the expected dividends per share during the vesting period. Significant judgement on parameters, such as share price at grant date, and risk-free interest rate, are required to be made by the directors to measure the fair value of the awarded shares.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 95 and 96 of the financial statements.

The Group's contributed surplus represents the excess of the previous nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation over the previous nominal value of the Company's shares issued and cash consideration paid in exchange therefor.

The Group's capital surplus represents 1% of the equity in Biostime Health contributed by Biostime Pharmaceuticals (China) Limited, the ultimate shareholder, during the year ended 31 December 2009 when Biostime Health became a wholly-owned subsidiary of the Group.

In accordance with the Company Law of the People's Republic of China, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB9,250,000 (2023: RMB34,921,000) and RMB9,250,000 (2023: RMB34,921,000), respectively, in respect of lease arrangements for buildings, vehicles and office equipment.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

2024

	Derivative financial instruments RMB'000	Interest-bearing bank loans and other borrowings RMB'000	Senior notes RMB'000	Lease liabilities RMB'000
At 1 January 2024	154,570	7,454,895	1,660,600	107,058
Changes from financing cash flows	26,227	(985,411)	147,901	(53,499)
New leases	–	–	–	9,250
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	–	9,048
Early termination of leases	–	–	–	(690)
Recognition of early redemption option embedded in senior notes	–	–	5,103	–
change in other payable and accruals	–	(12,673)	(1,137)	–
Total (gains)/losses recognised in profit or loss	(29,981)	50,949	1,555	–
Total gains recognised in other comprehensive income	(109,813)	–	–	–
Derecognition	(38,327)	–	–	–
Interest expense	–	589,072	274,342	6,454
Exchange realignment	(2,410)	68,632	31,131	(2,738)
At 31 December 2024	266	7,165,464	2,119,495	74,883

2023

	Derivative financial instruments RMB'000	Interest-bearing bank loans RMB'000	Senior notes RMB'000	Lease liabilities RMB'000
At 1 January 2023	183,749	7,662,733	1,905,559	101,143
Changes from financing cash flows	(20,064)	(1,060,304)	(401,296)	(36,315)
New leases	–	–	–	34,921
Early termination of leases	–	–	–	(1,544)
Recognition of early redemption option embedded in senior notes	–	–	16,399	–
Total gains recognised in profit or loss	(30,847)	–	(52,351)	–
Total gains recognised in other comprehensive income	48,200	–	–	–
Derecognition	(29,762)	–	–	–
Interest expense	–	632,447	168,888	6,270
Exchange realignment	3,294	220,019	23,401	2,583
At 31 December 2023	154,570	7,454,895	1,660,600	107,058

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within financing activities	53,499	36,315

37. CONTINGENT LIABILITIES

Biostime Healthy Australia Pty Ltd ("**BHA**"), as a top 1,000 taxpayer in Australia, is subject to the Australian Tax Office's ("**ATO**") compliance programs. BHA is currently undergoing an ATO audit (which commenced after a compliance program in August 2019) in respect of the value of intellectual property and other assets transferred as part of the Group-wide integration initiatives in 2018 (the "**Transaction**"), for which BHA paid AUD19 million of tax under the Australian capital gains tax (CGT) rules. BHA has provided the ATO with relevant evidence and documentation to support its tax treatment of the Transaction, including two independent valuations completed for the purposes the Transaction.

The ATO is asserting a different view to that of BHA based on its interpretation and application of the capital gains tax rules. The ATO's primary argument is that the Transaction resulted in a transfer of an Australian business (inclusive of goodwill) that relates to/supports the separate Swisse business in Hong Kong and China that actively distributes Swisse products and therefore, giving rise to a materially variable outcome to that of BHA. BHA strongly disputes the ATO's primary position and maintains that the Transaction involved the sale of certain assets only, without the transfer of an Australian business. Furthermore, the ATO maintains an alternate position in the event that its assertion about the existence of a business sale is incorrect.

Due to the ongoing difference in the interpretation of capital gains tax rules held between the ATO and BHA, the final economic outcome of the matter is not able to be determined at this stage, however, this could potentially range between a full refund to BHA of AUD19 million under BHA's sale of assets position, or up to additional primary tax payable by BHA of AUD234.5 million under the ATO's indicated primary position. Penalties and interest may be imposed in the event of a tax shortfall. Currently, the ATO is not applying the general anti-avoidance tax provisions or transfer-pricing rules to the Transaction.

To highlight the tax technical complexities of the matter, in September 2024, BHA requested and was accepted into an independent review by an ATO independent reviewer who is not involved in the audit to narrow the technical issues under dispute. The reviewer considered that the ATO audit team should more specifically identify the business it purports was transferred and concluded that the 'transferred business' specifically excludes the separate and distinct businesses of the two operating entities which sold and distributed Swisse products to customers in China. The independent review did not lead to the resolution of the audit. Irrespective of this, BHA denies there was a transfer of an Australian business.

BHA expects that the ATO will conclude its audit by 30 June 2025. As part of completion of the audit, the ATO may issue an amended tax assessment and if disputed by BHA, the matter may proceed to litigation. At this time, BHA does not consider that it is probable that there will be an outflow of funds in relation to the matters under audit.

BHA intends to continue to vigorously defend its position and continues to be assisted by tax litigation lawyers and preeminent Counsel.

38. PLEDGE OF ASSETS

Details of the Group's bank loans and senior notes, which are secured by the assets of the Group, are included in notes 29 and 30 to the financial statements, respectively.

39. COMMITMENTS

(a) The Group had the following contractual commitments at the end of the reporting periods:

	2024 RMB'000	2023 RMB'000
Intangible assets	**3,415**	7,802
Property, plant and equipment	**5,675**	10,612
Total	**9,090**	18,414

(b) During the year, the Group has entered into an agreement to lease a warehouse in Ravenhall, Victoria, Australia that has not yet commenced. The future lease has payments that are non-cancellable of AUD1.8 million (approximately RMB8.1 million) in the next year, AUD10.7 million (approximately RMB48.2 million) over the next 5 years and AUD2.4 million (approximately RMB10.8 million) thereafter.

There were no other lease contracts that have not yet commenced as at 31 December 2024 and 2023.

40. RELATED PARTY BALANCES AND TRANSACTIONS

The Group had the following material transactions with related parties during the year:

(a) Related party transactions

During the year, there was no transaction with an associate (2023: nil).

(b) Material outstanding balances with related parties

Details of the Group's prepayments balances with an associate as at the end of the reporting period are disclosed in note 23 to the financial statements.

(c) Compensation of key management personnel of the Group

In addition to the amounts paid to the Company's directors as disclosed in note 8(a), compensation of other key management personnel of the Group is as follows:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	**51,993**	56,710
Pension scheme contributions	**668**	1,147
Reversal of equity-settled share option expense	**–**	(6,254)
(Reversal of)/equity-settled share award expense	**(3,782)**	7,492
Termination benefits	**536**	6,662
Total compensation paid to key management personnel	**49,415**	65,757

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41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

2024

Financial assets

	Notes	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income – Equity investments	Financial assets at amortised cost	Total
		Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	22	–	–	–	927,179	927,179
Financial assets included in prepayments, other receivables and other assets		–	–	–	92,899	92,899
Derivative financial instruments	28	–	20,567	–	–	20,567
Restricted deposits	24	–	–	–	7,652	7,652
Cash and cash equivalents	24	–	–	–	1,603,920	1,603,920
Other non-current financial assets	20	53,421	117,353	3,390	–	174,164
Total		53,421	137,920	3,390	2,631,650	2,826,381

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	25	–	907,383	907,383
Financial liabilities included in other payables and accruals		–	1,166,729	1,166,729
Derivative financial instruments	28	266	–	266
Interest-bearing bank loans	29	–	7,165,464	7,165,464
Senior notes	30	–	2,119,495	2,119,495
Lease liabilities	13	–	74,883	74,883
Total		266	11,433,954	11,434,220

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2023

Financial assets

	Notes	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income – Equity investments	Financial assets at amortised cost	Total
		Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	RMB'000	RMB'000	RMB'000
Bonds receivable	17	–	–	–	78,592	78,592
Trade and bills receivables	22	–	–	–	1,060,254	1,060,254
Financial assets included in prepayments, other receivables and other assets		–	–	–	106,409	106,409
Derivative financial instruments	28	–	48,984	–	–	48,984
Restricted deposits	24	–	–	–	7,430	7,430
Cash and cash equivalents	24	–	–	–	1,364,283	1,364,283
Other non-current financial assets	20	66,368	120,510	15,480	–	202,358
Total		66,368	169,494	15,480	2,616,968	2,868,310

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	25	–	1,040,677	1,040,677
Financial liabilities included in other payables and accruals		–	1,276,742	1,276,742
Derivative financial instruments	28	154,570	–	154,570
Interest-bearing bank loans	29	–	7,454,895	7,454,895
Senior notes	30	–	1,660,600	1,660,600
Lease liabilities	13	–	107,058	107,058
Total		154,570	11,539,972	11,694,542

42. 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	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	5,517	15,124	5,517	15,124
– The Swaps	–	10,413	-	10,413
– The CCSs	15,050	23,447	15,050	23,447
Other non-current financial assets	174,164	202,358	174,164	202,358
Total	194,731	251,342	194,731	251,342
Financial liabilities				
Derivative financial instruments				
– The Swaps	–	(64,666)	–	(64,666)
– The CCSs	(266)	(89,904)	(266)	(89,904)
Senior notes	(2,119,495)	(1,660,600)	(2,273,947)	(1,653,606)
Total	(2,119,761)	(1,815,170)	(2,274,213)	(1,808,176)

Management has assessed that the fair values of cash and cash equivalents, restricted deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and lease liabilities (current) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

42. 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 the interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for lease liabilities (non-current) and interest-bearing loans, and the suppliers' non-performance risk for bonds receivable as at 31 December 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 using significant unobservable market inputs.

(c) The financial assets of other unlisted investments at fair value through profit or loss included in the other non-current financial assets are measured using valuation technique of the discounted cash flow model.

(d) The fair values of equity investments designed at fair value through other comprehensive income included in the other non-current financial assets are based on quoted market prices or the recent transaction price method using significant unobservable market inputs.

(e) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including the Swaps and the CCSs, are measured using discounted cash flow models. The valuation techniques used both observable and unobservable market inputs. The fair values of the Swaps and the CCSs were the same as their carrying amounts.

(f) The derivative financial instrument arising from the early redemption option embedded in the senior notes is measured using the valuation technique of discounted cash flow model using significant unobservable market inputs.

(g) The fair value of the senior notes is based on the quoted market price provided by a leading global financial market data provider.

The fair value of the senior notes is based on the quoted market price provided by a leading global financial market data provider.

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

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Other non-current financial assets – other unlisted investment	Discounted cash flow model	Discount rate	2024: 1.84% to 1.87% (2023: 2.18% to 2.22%)	1% (2023: 1%) increase in discount rate would result in decrease in fair value by RMB72,000 (2023: RMB99,000) 1% (2023: 1%) decrease in discount rate would result in increase in fair value by RMB73,000 (2023: RMB106,000)
Other non-current financial assets – investment in Arla	Recent transaction price method	Recent transaction price	Not applicable	Not applicable
Other non-current financial assets – the unlisted equity investment	Market approach	Enterprise value-to-sales ratio	2024: 3.01 to 3.07 (2023: 2.99 to 3.05)	1% (2023: 1%) increase in enterprise value-to-sales ratio would result in increase in fair value by RMB525,000 (2023: RMB694,000) 1% (2023: 1%) decrease in enterprise value-to-sales ratio would result in decrease in fair value by RMB525,000 (2023: RMB687,000)

42. 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	2024: 4.01% to 5.60% (2023: 3.50% to 5.63%)	1% (2023: 1%) increase in discount rate would result in decrease in fair value by RMB1,131,000 (2023: RMB1,498,000) 1% (2023: 1%) decrease in discount rate would result in increase in fair value by RMB1,132,000 (2023: RMB1,500,000)
		Discount rate – pay leg	2024: 2.42% to 4.17% (2023: 2.50% to 3.04%)	1% (2023: 1%) increase in discount rate would result in increase in fair value by RMB574,000 (2023: RMB895,000) 1% (2023: 1%) decrease in discount rate would result in decrease in fair value by RMB575,000 (2023: RMB895,000)
Derivative financial instrument – the CCSs (USD/AUD)	Discounted cash flow model	Discount rate – receive leg	2024: 3.23% to 5.41% (2023: 3.49% to 5.41%)	1% (2023: 1%) increase in discount rate would result in increase in fair value by RMB341,000 (2023: RMB688,000) 1% (2023: 1%) decrease in discount rate would result in decrease in fair value by RMB341,000 (2023: RMB689,000)
		Discount rate – pay leg	2024: 3.56% to 4.38% (2023: 3.71% to 4.33%)	1% (2023: 1%) increase in discount rate would result in decrease in fair value by RMB330,000 (2023: RMB532,000) 1% (2023: 1%) decrease in discount rate would result in increase in fair value by RMB330,000 (2023: RMB534,000)

42. 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	2024: nil (2023: 3.50% to 5.41%)	1% (2023: 1%) increase in discount rate would result in decrease in fair value by nil (2023: RMB459,000) 1% (2023: 1%) decrease in discount rate would result in increase in fair value by nil (2023: RMB459,000)
		Discount rate – pay leg	2024: nil (2023: 3.32% to 5.12%)	1% (2023: 1%) increase in discount rate would result in increase in fair value by nil (2023: RMB426,000) 1% (2023: 1%) decrease in discount rate would result in decrease in fair value by nil (2023: RMB427,000)
Derivative financial instrument – the Swaps (USD/AUD)	Discounted cash flow model	Discount rate – receive leg	2024: nil (2023: 5.35% to 5.45%)	1% (2023: 1%) increase in discount rate would result in decrease in fair value by nil (2023: RMB159,000) 1% (2023: 1%) decrease in discount rate would result in increase in fair value by nil (2023: RMB161,000)
		Discount rate – pay leg	2024: nil (2023: 4.30% to 4.38%)	1% (2023: 1%) increase in discount rate would result in increase in fair value by nil (2023: RMB15,818,000) 1% (2023: 1%) decrease in discount rate would result in decrease in fair value by nil (2023: RMB16,148,000)
Derivative financial instrument – early redemption option embedded in the senior notes	Discounted cash flow model	Discount rate	2024: 8.77% (2023: 8.61% to 14.86%)	1% (2023: 1%) increase in discount rate would result in increase in fair value by RMB2,565,000 (2023: RMB3,806,000) 1% (2023: 1%) decrease in discount rate would result in decrease in fair value by RMB2,570,000 (2023: RMB3,822,000)

31 December 2024

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

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
As at 31 December 2024				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	**–**	**–**	**5,517**	**5,517**
– The CCSs	**–**	**–**	**15,050**	**15,050**
Other non-current financial assets	**2,140**	**–**	**172,024**	**174,164**
Total	**2,140**	**–**	**192,591**	**194,731**
As at 31 December 2023				
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 year are as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	**237,168**	291,343
Addition	**7,204**	16,399
Derecognition	**(6,171)**	(48,533)
Net settlement	**(68,086)**	(59,065)
Total gains recognised in profit or loss	**7,869**	22,257
Total gains recognised in equity	**20,253**	9,124
Exchange realignment	**(5,646)**	5,643
At 31 December	**192,591**	237,168

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

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2024				
Derivative financial instruments				
– The CCSs	**–**	**–**	**266**	**266**
As at 31 December 2023				
Derivative financial instruments				
– The CCSs	–	–	89,904	89,904
– The Swaps	–	–	64,666	64,666
Total	–	–	154,570	154,570

The movements in fair value measurements within Level 3 during the year are as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	**154,570**	183,749
Derecognition	**(38,327)**	(29,762)
Net settlement	**26,227**	(20,064)
Total gains charged to profit or loss	**(29,981)**	(30,847)
Total gains/(losses) recognised in equity	**(109,813)**	48,200
Exchange realignment	**(2,410)**	3,294
At 31 December	**266**	154,570

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: nil).

31 December 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, interest-bearing bank loans, and senior notes. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including the foreign currency contracts, the Swaps and the CCSs. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

In respect of the floating interest rate instruments, the Group is subject to the cash flow interest rate risk, while for the fixed interest rate instruments, the Group is subject to fair value interest rate risk.

To manage the interest rate risk arising from the floating interest rate instruments, the Group has entered into the Swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At as 31 December 2024, after taking into account the effect of the Swaps, approximately 37% (2023: 55%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax by assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000
Year ended 31 December 2024	**50**	**(19,427)**
Year ended 31 December 2024	**(50)**	**19,427**
Year ended 31 December 2023	50	(15,670)
Year ended 31 December 2023	(50)	15,670

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases or financing by operating units in currencies other than the units' functional currencies. Approximately 2% (2023: 3%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 78% (2023: 78%) of costs were denominated in currencies other than the units' functional currencies. Certain operating units of the Group use forward currency contracts to eliminate the foreign currency exposures. The Group also has certain bank balances denominated in AUD, HKD, USD and EUR. In addition, the Group has investments denominated in AUD, USD and EUR, and issued senior notes in USD. Also, the Group has certain bank loans which are denominated in USD and HKD.

During the year, the Group has hedged 35% (2023: 100%) of its foreign currency exposure from its interest-bearing bank borrowings. The Group has used the cross currency swaps to reduce the exposure to foreign currency risk arising from the borrowings.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of RMB and AUD against each of the following currencies, with all other variables held constant, of the Group's profit before tax (arising from USD and EUR denominated financial instruments).

	Increase/(decrease) in USD/EUR rates %	Increase/ (decrease) in profit before tax RMB'000
2024		
If the RMB weakens against the USD	5	11,904
If the RMB strengthens against the USD	(5)	(11,904)
If the RMB weakens against the EUR	5	1,110
If the RMB strengthens against the EUR	(5)	(1,110)
If the AUD weakens against the USD	5	597
If the AUD strengthens against the USD	(5)	(597)

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/(decrease) in USD/EUR rates %	Increase/ (decrease) in profit before tax RMB'000
2023		
If the RMB weakens against the USD	5	10,952
If the RMB strengthens against the USD	(5)	(10,952)
If the RMB weakens against the EUR	5	5,353
If the RMB strengthens against the EUR	(5)	(5,353)
If the AUD weakens against the USD	5	2,244
If the AUD strengthens against the USD	(5)	(2,244)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	952,310	952,310
Bills receivable#	264	–	264
Financial assets included in prepayments, other receivables and other assets#	92,899	–	92,899
Restricted deposits	7,652	–	7,652
Cash and cash equivalents	1,603,920	–	1,603,920
Total	1,704,735	952,310	2,657,045

As at 31 December 2023

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Bonds receivable#	78,592	–	78,592
Trade receivables*	–	1,066,700	1,066,700
Bills receivable#	19,284	–	19,284
Financial assets included in prepayments, other receivables and other assets#	106,409	–	106,409
Restricted deposits	7,430	–	7,430
Cash and cash equivalents	1,364,283	–	1,364,283
Total	1,575,998	1,066,700	2,642,698

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

The credit quality of bonds receivable, bills receivable and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2024

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	46,283	861,100	–	–	–	907,383
Financial liabilities included in other payables and accruals	1,166,729	–	–	–	–	1,166,729
Derivative financial instruments	–	–	(26,736)	22,234	–	(4,502)
Interest-bearing bank loans	–	229,634	969,945	7,139,742	–	8,339,321
Senior notes	–	–	288,219	2,279,064	–	2,567,283
Lease liabilities	–	8,854	26,562	42,141	7,323	84,880
Total	1,213,012	1,099,588	1,257,990	9,483,181	7,323	13,061,094

2023

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	43,861	996,816	–	–	–	1,040,677
Financial liabilities included in other payables and accruals	1,276,742	–	–	–	–	1,276,742
Derivative financial instruments	–	(17,577)	51,145	(22,939)	–	10,629
Interest-bearing bank loans	–	164,472	4,226,799	3,704,869	–	8,096,140
Senior notes	–	–	721,995	1,674,418	–	2,396,413
Lease liabilities	–	10,628	31,883	56,356	11,446	110,313
Total	1,320,603	1,154,339	5,031,822	5,412,704	11,446	12,930,914

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy liabilities to assets ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using the liabilities to assets ratio, which is total liabilities divided by total assets. The liabilities to assets ratios as at the end of the reporting periods are as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Total liabilities	**13,029,051**	13,746,746
Total assets	**18,842,422**	20,041,970
Liabilities to assets ratio	**69%**	69%

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	14,240,113	13,941,382
Due from subsidiaries	1,583,813	1,590,880
Deferred tax assets	393	384
Derivative financial instruments	20,567	37,644
Intangible assets	2,282	2,843
Loans to subsidiaries	3,140,425	1,044,690
Total non-current assets	18,987,593	16,617,823
CURRENT ASSETS		
Prepayments, deposits and other receivables	572	8,804
Derivative financial instruments	–	927
Due from subsidiaries	1,018,525	697,011
Loans to subsidiaries	140,968	31,590
Cash and cash equivalents	103,012	69,133
Total current assets	1,263,077	807,465
CURRENT LIABILITIES		
Trade payables	8,617	4,935
Due to subsidiaries	2,899,242	1,114,197
Other payables and accruals	55,862	77,337
Tax payable	2,226	2,178
Interest-bearing bank loans	370,055	2,227,820
Senior notes	2,247	432,237
Derivative financial instruments	–	39,258
Loans from subsidiaries	101,394	551,333
Total current liabilities	3,439,643	4,449,295
NET CURRENT LIABILITIES	(2,176,566)	(3,641,830)
TOTAL ASSETS LESS CURRENT LIABILITIES	16,811,027	12,975,993
NON-CURRENT LIABILITIES		
Derivative financial instruments	266	50,646
Senior notes	2,117,248	1,228,363
Interest-bearing bank loans	5,105,937	1,936,892
Total non-current liabilities	7,223,451	3,215,901
Net assets	9,587,576	9,760,092
EQUITY		
Issued capital	5,519	5,519
Reserves (note)	9,552,057	9,652,979
Proposed dividend	30,000	101,594
Total equity	9,587,576	9,760,092

Luo Fei
Director

Wang Yidong
Director

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	694,991	(61,777)	3,260,270	101,484	20,231	67,147	4,016,227	8,098,573
Total comprehensive income for the year	–	–	–	–	–	154,903	1,758,773	1,913,676
Equity-settled option arrangements	–	–	–	(17,359)	–	–	–	(17,359)
Equity-settled share award arrangements	–	16,474	–	–	(4,023)	–	1,120	13,571
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	(5,620)	–	–	5,620	–
Final 2022 and interim 2023 dividend declared	–	–	–	–	–	–	(253,888)	(253,888)
Proposed final 2023 dividend	–	–	–	–	–	–	(101,594)	(101,594)
At 31 December 2023 and 1 January 2024	694,991	(45,303)	3,260,270	78,505	16,208	222,050	5,426,258	9,652,979
Total comprehensive income for the year	–	–	–	–	–	281,285	(167,468)	113,817
Equity-settled share award arrangements	–	7,623	–	–	(15,196)	–	3,281	(4,292)
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	(14,295)	–	–	14,295	–
Final 2023 and interim 2024 dividend declared	–	–	–	–	–	–	(180,447)	(180,447)
Proposed final 2024 dividend	–	–	–	–	–	–	(30,000)	(30,000)
At 31 December 2024	694,991	(37,680)	3,260,270	64,210	1,012	503,335	5,065,919	9,552,057

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, pursuant to the reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium account and contributed surplus are distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

45. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 25 March 2025.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2020	2021	2022	2023	**2024**
Results					
Revenue	11,194,679	11,547,825	12,775,914	13,926,470	**13,051,708**
Gross profit	7,186,991	7,247,982	7,703,488	8,294,256	**7,915,512**
Profit before tax	1,604,660	850,213	1,030,931	933,602	**196,793**
Income tax expenses	(467,966)	(341,729)	(419,148)	(351,757)	**(250,514)**
Profit for the year	1,136,694	508,484	611,783	581,845	**(53,721)**
Earnings per share attributable to ordinary equity holders of the parent (RMB)					
For profit for the year					
– Basic	1.77	0.79	0.96	0.91	**(0.08)**
– Diluted	1.76	0.79	0.95	0.90	**(0.08)**

	2020	2021	2022	2023	**2024**
Asset and Liabilities					
Non-current assets	12,249,872	14,768,283	15,103,606	14,908,570	**14,219,781**
Current assets	4,968,553	5,513,464	5,859,419	5,133,400	**4,622,641**
Current Liability	(3,277,701)	(6,821,933)	(5,134,883)	(8,441,189)	**(3,872,369)**
Non-current liabilities	(7,738,037)	(7,574,628)	(9,686,289)	(5,305,557)	**(9,156,682)**
Total Equity	6,202,687	5,885,186	6,141,853	6,295,224	**5,813,371**

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