

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)



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEE

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Environmental, Social and Governance Committee

Mrs. Laetitia Albertini (*Chairman*)
Mr. Luo Fei
Ms. Yang Wenyun (*with effect from 26 August 2025*)
Mrs. Pascale Laborde (*until 26 August 2025*)

* commonly known as Laetitia Albertini

COMPANY SECRETARY

Ms. Yang Wenyun

AUTHORISED REPRESENTATIVES

Mr. Luo Fei
Ms. Yang Wenyun

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.hh.global

PRINCIPAL BANKER

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

CORPORATE INFORMATION

AUDITOR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

FINANCIAL HIGHLIGHTS

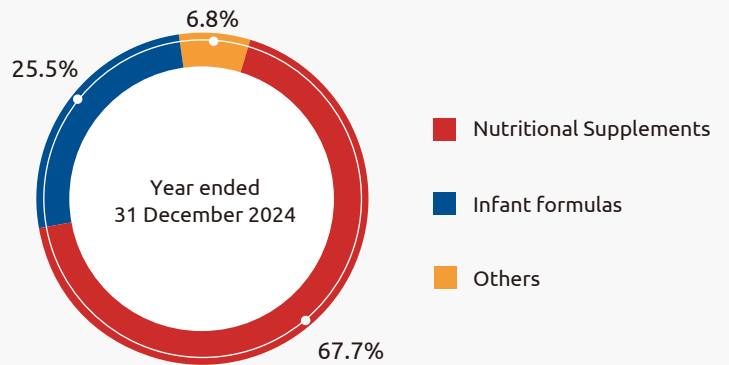
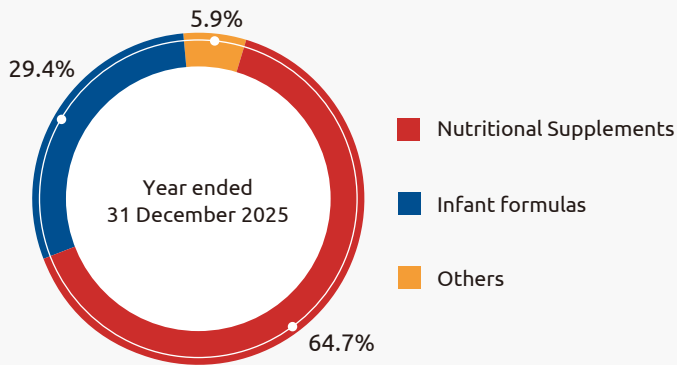
	Year ended 31 December		Change
	2025 RMB million	2024 RMB million	
Revenue	14,353.6	13,051.7	10.0%
Gross profit	8,963.7	7,915.5	13.2%
EBITDA*	1,772.6	1,405.8	26.1%
Adjusted EBITDA*	2,050.5	1,952.3	5.0%
Adjusted EBITDA margin	14.3%	15.0%	-0.7pts
Net profit/(loss)	196.1	(53.7)	465.2%
Adjusted net profit**	664.1	541.2	22.7%
Adjusted net profit margin	4.6%	4.1%	0.5pts

* EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA = EBITDA + Non-cash losses of RMB228.3 million for the year ended 31 December 2025 (2024: losses of RMB286.0 million) + Non-recurring losses of RMB49.6 million for the year ended 31 December 2025 (2024: losses of RMB260.5 million)

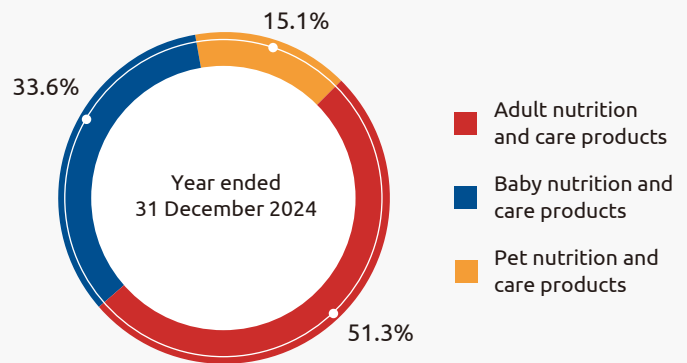
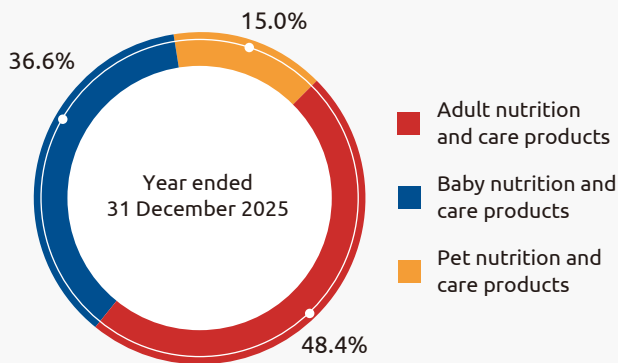
** Adjusted net profit = Net profit/(loss) + EBITDA adjustment items of losses of RMB277.9 million for the year ended 31 December 2025 (2024: losses of RMB546.5 million) + Other non-cash or non-recurring loss of RMB190.1 million for the year ended 31 December 2025 (2024: losses of RMB48.4 million)

FINANCIAL HIGHLIGHTS

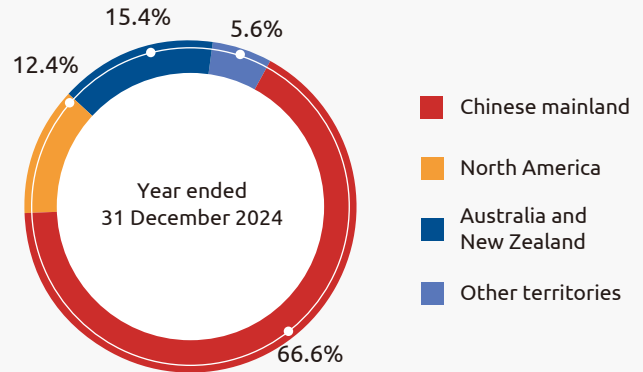
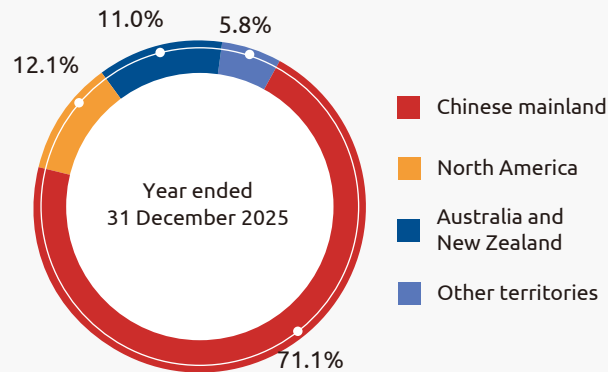
REVENUE BY PRODUCT SEGMENT



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 2025.

2025 was an inspiring year for our Group, marked by meaningful progress across every dimension of our strategy. We returned to solid, broad-based growth across all business segments – Adult Nutrition and Care (“**ANC**”), Baby Nutrition and Care (“**BNC**”) and Pet Nutrition and Care (“**PNC**”), while making disciplined progress against our strategic and financial priorities.

Key highlights for the year included:

- **Delivered robust financial performance:** Total revenue increased by 10.3% on a like-for-like (“**LFL**”) basis¹ during the year. We maintained a consistent level of profitability, with our adjusted EBITDA margin reaching 14.3%, while our adjusted net profit grew by 22.7%.
- **Reinforced market leadership in ANC:** Marking a decade of strategic stewardship, Swisse’s revenue has reached the USD1 billion² milestone in 2025. Swisse achieved the No. 1 position in Chinese mainland’s overall VHMS market in 2025³ and the No.1 position in the Australian market⁴, while delivering double-digit growth across Chinese mainland and expansion markets.
- **Revitalised BNC growth momentum:** Our BNC segment in Chinese mainland returned to a growth trajectory, propelled by the successful turnaround of our infant milk formulas (“**IMF**”) business following the new ‘GB’ transition. We continued to outperform the market, with our share of the super-premium IMF segment reaching a new high of 17.1% in 2025, up from 13.3% in 2024⁵.
- **Scaled PNC into a meaningful growth engine:** Our PNC segment contributed 15.0% of our total revenue in 2025, underpinned by overall PNC LFL growth of 8.7%, with high-growth pet supplements delivering 14.3% LFL growth.
- **Accelerated balance sheet deleveraging:** We significantly improved our net leverage ratio from 3.99x in 2024 to 3.45x in 2025, driven by strong operating cash flow and an optimised capital structure. Over the year, we reduced gross debt by over RMB600 million while maintaining healthy cash reserves of over RMB1.7 billion, accelerating our deleveraging trajectory.

We remain committed to maintaining a steady track record of dividend payouts in addition to steadily reducing our leverage and strengthening our balance sheet. As such, I am pleased to announce a final dividend of HKD0.16 per ordinary share. Combined with our interim dividend of HKD0.19 per ordinary share, this brings our total full-year dividend to HKD0.35 per ordinary share, representing a payout ratio of 30.0% of our adjusted net profit.

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

² Net sales for the twelve months ended 31 December 2025.

³ According to research statistics by brand for the past twelve months ended 31 December 2025, prepared by Kantar Worldpanel, an independent research company.

⁴ According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 31 December 2025.

⁵ According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 December 2025 and 31 December 2024, respectively.

CHAIRMAN'S STATEMENT

ADULT NUTRITION AND CARE

In mid-2025, we made the strategic choice to deprioritise the corporate daigou channel. Excluding the impact of this transition, our ANC segment delivered an outstanding performance, contributing 48.4% of our total revenue. Revenue from the Chinese mainland increased by a 13.3%, while the Australia and New Zealand ("ANZ") domestic market achieved healthy 5.5% LFL growth. Furthermore, our expansion markets maintained their strong double-digit trajectory, now representing 6.9% of total ANC sales.

In Chinese mainland, our growth was driven by Swisse's continued outperformance in innovative product categories that resonate with changing consumer preferences, particularly in heart health, anti-ageing and detox. Our mega-brand strategy continued to broaden our consumer reach, with our Swisse Plus range, which focuses on cellular nutrition, and our Little Swisse range serving as a powerful catalyst for incremental growth.

Anti-aging remains one of the most attractive growth opportunities in Chinese mainland, supported by a structural shift in demographics. With our comprehensive range of cellular nutrition products across Swisse Plus, we are uniquely positioned to capture rising demand for science-backed cellular health solutions and solidify our market leadership in this high-growth category.

Our channel development efforts in Chinese mainland also drove our strong performance. Douyin has emerged as a major growth engine for Swisse, where we now hold the No. 4 position⁶, with sales growing by 71.4% in 2025. We also expanded our presence in new retail channels such as Sam's Club, with sales through this channel growing by 29.7% in 2025. Meanwhile, momentum remained robust across our core online channels, with sales through the cross-border e-commerce ("CBEC") channel rising by 18.9% and accounting for 82.0% of revenue in Chinese mainland in 2025. Having firmly established its leadership in e-commerce and product innovation, Swisse achieved the No. 1 position in the overall VHMS market in Chinese mainland⁷.



In ANZ, we continued to outperform the overall domestic market, with healthy 5.5% LFL growth. We further consolidated our leadership position, with Swisse remaining Australia's No. 1 vitamins and mineral supplements brand on both a volume and value basis across the total market⁸. This momentum was driven by high-impact innovations, such as the launch of Swisse Magnesium Glycinate and Little Swisse Kids Gummies, our flagship "Here Life Comes" marketing initiatives and best-in-class retail execution. Total ANZ ANC revenue declined by 20.6% on a LFL basis, reflecting our strategic choice to deprioritise the corporate daigou business.

Our thirteen expansion markets across Asia and Europe delivered a strong uplift in 2025. We maintained our current market share rankings in most of these markets through the continued product portfolio expansion and ongoing distribution gains, including the No. 1 position in the liver health and men's health in Singapore⁹, and the No. 2 position in Italy's beauty VHMS market¹⁰.

⁶ According to research statistics by Feigua, an independent data provider, market share data for the past twelve months ended 31 December 2025.

⁷ According to research statistics by brand for the past twelve months ended 31 December 2025, prepared by Kantar Worldpanel, an independent research company.

⁸ According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 31 December 2025.

⁹ According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 December 2025.

¹⁰ According to research statistics by IMS IQVIA, an independent research company, market share data for the past twelve months ended 31 December 2025.

CHAIRMAN'S STATEMENT

BABY NUTRITION AND CARE

We are highly encouraged by the BNC segment's return to a clear growth trajectory. Following the successful completion of the new 'GB' transition by June 2025, our IMF business has demonstrated significant resilience and renewed competitive strength.

IMF sales in Chinese mainland increased by 28.3%, significantly outpacing the overall IMF market. While delivered against a low base, this robust growth reflects the disciplined execution of our strategic priorities, including broadening our reach to new mothers through e-commerce platforms and baby specialty stores.

Momentum was particularly strong in early-stage formulas, with our Stage 1 and Stage 2 IMFs recording retail scan sales growth of 37.7% and 37.9%, respectively¹¹. The strong performance of these early-stage IMF provides a high-visibility pipeline and a solid foundation for our Stage 3 IMF heading into 2026.



These collective efforts propelled Biostime's share of the super-premium IMF segment in Chinese mainland to a new high – our market share reached 17.1% for the full year¹² and accelerated to 19.5% in the final quarter of 2025¹³, reflecting sustained quarter-on-quarter momentum.

Sales of our paediatric probiotic and kids nutritional supplements in Chinese mainland also achieved a turnaround in sales, with growth of 2.0% for the full year. This rebound was driven by accelerating momentum in baby speciality stores and online channels, with the contribution from online channels increasing from 49.2% in 2024 to 62.1% in 2025. We also saw further signs of stabilisation in the pharmacy channel despite the continued industry-wide decline in this channel. The revenue growth was also attributable to the product portfolio expansion such as the kids nutrition powder supplements. Biostime maintained its No. 1 position in the Chinese mainland paediatric probiotics market¹².

PET NUTRITION AND CARE

Our PNC segment delivered high single-digit growth, capitalising on favourable structural tailwinds and the global trends toward pet premiumisation and humanisation. The performance in our high-margin pet supplements category was especially strong, growing by 14.3% on a LFL basis, underscoring the premium positioning and resilience of our portfolio.

In North America, Zesty Paws delivered LFL growth of 12.8%, driven by continued success across the Amazon and Chewy e-commerce channels, alongside the extensive retailers including Walmart, PetSmart, Petco, Tractor Supply, Target, Sam's Club, CVS and Menards. Zesty Paws remains one of the most recognised pet supplements brands in the United States. Meanwhile, the decline of Solid Gold narrowed to 13.1% on a LFL basis, with the rate of decline stabilising in the second half of 2025 as we completed our channel optimisation and progressed our product premiumisation strategy. In 2025, e-commerce contributed 83.1% of Solid Gold sales in North America, with high-margin products accounting for 37.4% of sales. As of 31 December 2025, Zesty Paws and Solid Gold were present in more than 20,000 stores and 4,000 stores, respectively, across the United States.

¹¹ According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 December 2025.

¹² According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 December 2025.

¹³ According to research statistics by Nielsen, an independent research company, market share data for the past three months ended 31 December 2025.

CHAIRMAN'S STATEMENT



In Chinese mainland, our PNC segment returned to growth, with sales increasing by 8.6%. This was driven by the premiumisation of Solid Gold following its restructuring and the reallocation of resources toward higher-margin pet food and supplements, which contributed 35.5% of total PNC revenue in the region. In the second half of 2025, revenue decline was mainly due to tariff impact in 2025, which pressured profitability and prompted a proactive shift to supply localisation (from imported to domestic products), with the transition temporarily impacting sales.

We continued to expand our PNC footprint across Europe, Asia, and ANZ. Our increasing global reach in PNC will continue to amplify our core strengths in premium nutrition, allowing us to capture growing demand in expansion markets.

OPTIMISING OUR CAPITAL STRUCTURE

In 2025, we continued to proactively manage and optimise our capital structure, with a clear focus on reducing gross debt, extending debt maturity, and strengthening long-term financial stability.

In January 2025, we successfully refinanced USD senior notes maturing in June 2026 by issuing USD300 million in new senior notes with a 3.5-year tenor at a lower coupon rate. Supported by strong operating cash flow, we reduced our total gross debt by over RMB600 million during the year. This included a total reduction of USD term loans by RMB449 million (equivalent), comprising approximately RMB96 million (equivalent) in scheduled amortisation and approximately RMB353 million (equivalent) in voluntary prepayments, further accelerating our deleveraging objectives. Following these repayments, the vast majority of our remaining debt continues to be held as long-term debt. We maintained a healthy cash balance of RMB1.71 billion as of 31 December 2025, reflecting strong cash conversion across our business.

As of 31 December 2025, RMB-based and RMB hedged debts represented 82.2% of total borrowings. This shift has lowered our interest costs and mitigated currency risk, further enhancing our overall financial resilience.

OUTLOOK: NUTRITIONAL SUPPLEMENTS AND IMF BUSINESSES TO DRIVE CONTINUED GROWTH, SUPPORTED BY DISCIPLINED CAPITAL MANAGEMENT

Looking ahead to 2026, we will continue to drive the growth of our high-margin, fast-growing nutritional supplements, while delivering a healthy level of profitability.

Our ANC business is poised to maintain its growth momentum across the Chinese mainland, ANZ domestic and expansion markets. In Chinese mainland, we will continue to invest in our leading categories to further consolidate Swisse's No. 1 market position and deepen channel penetration. Further, we will leverage our robust new product development pipeline to capture evolving consumer needs and unlock additional growth drivers. From a channel perspective, we will prioritise penetration into high-growth channels, particularly Douyin and new retail channels, to further broaden our consumer reach. In the ANZ domestic market, we will reinforce our market leadership through continued product innovation and channel expansion, despite an anticipated continued decline in the corporate daigou channel in the first half of 2026. Meanwhile, we remain focused on scaling up our thirteen expansion markets by applying the proven strategies that have delivered success in the Singapore and Hong Kong Special Administrative Region of the PRC ("Hong Kong SAR") markets.

CHAIRMAN'S STATEMENT

The strong performance of our BNC business in 2025 has established a solid foundation for continued growth in 2026. We anticipate sustained IMF sales momentum, driven by marketing campaigns focused on new mother education across e-commerce and baby-speciality channels, as well as improved conversion from early-stage to Stage 3 IMF products. Furthermore, we will expand our presence in the broader children's nutrition category, strategically extending the consumer lifecycle beyond infancy.

We expect our PNC business to maintain its upward trajectory. In North America, Zesty Paws will continue to advance its omni-channel expansion and category innovation. With channel optimisation for Solid Gold now completed, we plan to increase the sales contribution of high-margin products above the present 37.0% level. In Chinese mainland, our proactive shift to supply localisation is expected to be completed by end-2026, which may have an impact on topline. Our focus remains on accelerating the growth of Solid Gold's high-margin pet food and supplements, thereby sharpening the product mix and strengthening overall profitability.

Finally, we remain committed to our deleveraging trajectory while maintaining robust liquidity. We will continue to optimise our debt profile by increasing the proportion of lower-cost RMB debt, mitigating foreign exchange volatility, and reinforcing our financial resilience to support our sustainable long-term growth.

ACKNOWLEDGEMENTS

I would like to end by expressing my sincere appreciation to all our stakeholders – our shareholders, employees, business partners and creditors – for their continued confidence and support of H&H Group. Our path forward remains dedicated to generating sustainable value for every one of our stakeholders, while advancing our mission to help people everywhere lead healthier and happier lives.

Luo Fei

Chairman

Hong Kong, 24 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

Revenue

For the year ended 31 December 2025, the Group delivered solid revenue growth, with total revenue increasing by 10.0% on reported basis or 10.3% on a like-for-like¹ (“LFL”) basis to RMB14,353.6 million as compared with 2024. The robust growth was mainly driven by the growth across all business segments – namely Adult Nutrition and Care (“ANC”), Baby Nutrition and Care (“BNC”) and Pet Nutrition and Care (“PNC”).

	Year ended 31 December		Reported Change	LFL Change	% to revenue	
	2025 RMB million	2024 RMB million			2025	2024
Revenue by product segment						
Nutritional Supplements	9,289.2	8,830.5	5.2%	5.6%	64.7%	67.7%
– VHMS products	6,904.9	6,660.0	3.7%	4.3%	48.1%	51.0%
– Pet supplements	1,546.9	1,349.2	14.7%	14.3%	10.8%	10.4%
– Paediatric probiotic and kids nutritional supplements	837.4	821.3	2.0%	2.0%	5.8%	6.3%
Infant formulas	4,215.8	3,332.4	26.5%	26.5%	29.4%	25.5%
Others ²	848.6	888.8	-4.5%	-4.5%	5.9%	6.8%
Revenue by business segment						
Adult nutrition and care products	6,946.4	6,696.2	3.7%	4.4%	48.4%	51.3%
Baby nutrition and care products	5,257.3	4,382.3	20.0%	20.0%	36.6%	33.6%
Pet nutrition and care products	2,149.9	1,973.2	9.0%	8.7%	15.0%	15.1%
Revenue by geography						
Chinese mainland	10,201.5	8,685.4	17.5%	17.5%	71.1%	66.6%
North America	1,747.7	1,621.7	7.8%	7.5%	12.1%	12.4%
ANZ	1,574.1	2,012.7	-21.8%	-20.2%	11.0%	15.4%
Other territories	830.3	731.9	13.4%	14.7%	5.8%	5.6%
Total	14,353.6	13,051.7	10.0%	10.3%	100.0%	100.0%

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

² Others include pet food from Solid Gold, baby food and snacks from Good Goût, baby accessories from Dodie and other skincare products.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION (CONTINUED)

Revenue (continued)

Chinese mainland: Strong growth across ANC and BNC segments

In the year ended 31 December 2025, revenue from the Chinese mainland reached RMB10,201.5 million, representing a notable year-on-year increase of 17.5%. The Chinese mainland remains the Group's largest market, continuing to account for the majority of the Group's total revenue at 71.1% for the year ended 31 December 2025, up from 66.6% in the previous year.

Revenue of ANC segment in Chinese mainland sustained its growth momentum during the year ended 31 December 2025, achieving a year-on-year increase of 13.3% and accounted for 70.7% of the Group's total ANC revenue. This growth was primarily driven by Swisse's continued success in innovative product categories that closely aligned with evolving consumer preferences, particularly in heart health, anti-aging and detox. Additionally, the ongoing expansion of Swisse Plus and Little Swisse ranges also contributed to this growth. In the twelve months ended 31 December 2025, Swisse achieved the No. 1 position in the overall VHMS market in Chinese mainland³.

For the year ended 31 December 2025, CBEC sales grew by 18.9% year-on-year, accounting for 82.0% of Chinese mainland ANC revenue. This growth was supported by sustained consumer education initiatives and continued channel development efforts. Moreover, sales across the Douyin channel demonstrated remarkable growth, achieving a 71.4% year-on-year increase in 2025. The Group also expanded its presence in new retail channels such as Sam's Club, with sales through this channel growing by 29.7%.

BNC segment accelerated its growth trajectory during the year ended 31 December 2025, demonstrating significant resilience and renewed competitive strength. Revenue from BNC segment increased by 22.7% in the year ended 31 December 2025 as compared with the prior year. Within BNC segment, revenue from IMF recorded a year-on-year growth of 28.3% significantly outpacing the overall IMF market in Chinese mainland. Such robust growth reflects the effective and disciplined execution of the Group's strategic priorities post the successful completion of the new 'GB' transition. Key drivers of this performance included broadening outreach to new mothers through social media and e-commerce platforms, as well as baby specialty stores. These strategies contributed to the segment's sustained growth and reinforced its market leadership.

For the year ended 31 December 2025, revenue from paediatric probiotic and kids nutritional supplements in Chinese mainland achieved a growth of 2.0% compared with the previous year. This positive shift was largely driven by the Group's successful introduction of new innovative probiotic products. Growth momentum accelerated in both baby specialty stores and online channels, further contributing to the growth of this segment. Additionally, the expansion of the product portfolio, including kids nutrition powder supplements, also supported revenue growth during the period.

Revenue from PNC segment in Chinese mainland increased by 8.6% in the year ended 31 December 2025, compared with the prior year. The growth was mainly attributable to the continued premiumisation of Solid Gold following its restructuring and the strategic reallocation of resources toward launching new higher-margin pet food and supplement products. As a result, these high-margin offerings accounted for 35.5% of total PNC revenue in Chinese mainland during the year ended 31 December 2025. To mitigate the tariff impact, the Group proactively managed the risk by de-prioritising imported Solid Gold products from the United States, as part of an ongoing exercise.

³ According to research statistics by brand for the past twelve months ended 31 December 2025, prepared by Kantar Worldpanel, an independent research company.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION (CONTINUED)

Revenue (continued)

North America: Growth led by trends and channel expansion

For the year ended 31 December 2025, revenue generated by North America achieved a 7.5% year-on-year increase on a LFL basis, accounting for 12.1% of the Group's total revenue. The continued healthy growth was mainly attributed to ongoing trends toward pet nutrition premiumisation and pet humanising, which are firmly established in North America market, as well as the continued channel expansion and product innovation.

Revenue of Zesty Paws achieved year-on-year growth of 12.8% for the year ended 31 December 2025, driven by continued success across Amazon and Chewy e-commerce platforms, along with major retailers such as Walmart, Petsmart, Petco, Tractor Supply, Target, Sam's Club, CVS and Menards. Zesty Paws remains one of the most recognised pet supplements brands in the United States. Meanwhile, the decline of Solid Gold narrowed to 13.1% on a LFL basis, with the rate of decline moderating further in the second half of 2025 as the Group completed its channel optimisation and progressed its product premiumisation strategy. In 2025, e-commerce contributed 83.1% of Solid Gold sales in North America, with high-margin products accounting for 37.4% of sales.

ANZ: Steady growth in the domestic market, fuelled by new innovations

On a LFL basis, revenue from ANZ market declined by 20.2% for the year ended 31 December 2025, accounting for 11.0% of the Group's total revenue. The decrease was primarily due to the Group's strategic choice to deprioritise the corporate daigou business. Despite the overall revenue decrease, the Group reinforced its leadership position within the domestic market, with sales rising by 5.8%, outperforming the overall domestic market. The increase in ANZ domestic market was mainly driven by the successful market-leading new product launches, such as the launch of Swisse Magnesium Glycinate and Little Swisse Kids Gummies, the flagship "Here Life Comes" marketing initiatives and superior in-store retail execution.

Other territories: Expansion markets delivered consistent growth

Revenue generated by other territories grew by 14.7% on a LFL basis in the year ended 31 December 2025 as compared with the prior year. The growth was powered by strong 53.9% LFL growth across the expansion markets in Asia, including Hong Kong SAR, Thailand, Malaysia, India, and the Middle East. The Group also continued to expand its PNC footprint in overseas markets, including Europe, Asia and ANZ.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION (CONTINUED)

Gross profit and gross profit margin

For the year ended 31 December 2025, the Group achieved a gross profit of RMB8,963.7 million, reflecting a 13.2% increase compared with the previous year. The Group's gross profit margin rose from 60.6% in 2024 to 62.4% in 2025, primarily attributable to improvements in gross profit margins within the ANC and PNC segments, as well as the optimisation of sourcing costs. Excluding the one-time stock write-off and provision of RMB65.1 million recorded in 2024 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, the gross profit margin on a pro forma basis increased from 61.1% in 2024 to 62.4% in 2025.

For the year ended 31 December 2025, the gross profit margin of the ANC segment increased from 65.0% in 2024 to 67.9% in 2025. This improvement was primarily driven by (i) the optimisation of sourcing costs; and (ii) favorable changes in channel mix which contributed to the higher margin.

For the year ended 31 December 2025, the gross profit margin of the BNC segment decreased to 57.4% from 58.1% in 2024. This decline was primarily due to an unfavorable shift in product mix, which led by a lower proportion of revenue being generated from high-margin products such as paediatric probiotics and kids nutritional supplements.

For the year ended 31 December 2025, the gross profit margin of the PNC segment demonstrated a significant improvement, rising from 51.6% in 2024 to 57.2% in 2025. This notable increase was primarily driven by a favorable shift in the product mix, with a higher proportion of revenue generated from high-margin pet food and supplement products. Additionally, the reduction in stock write-off and provision further contributed to the enhanced gross profit margin.

Other income and gains

Other income and gains amounted to RMB62.5 million for the year ended 31 December 2025. Other income and gains primarily consisted of gain on sales of raw materials of RMB23.6 million, interest income from bank deposits of RMB11.6 million and others.

Selling and distribution costs

Excluding depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets ("D&A"), the Group's selling and distribution costs increased by 12.3% to RMB6,056.8 million in the year ended 31 December 2025, compared with the previous year. Selling and distribution costs excluding D&A as a percentage of the Group's revenue increased from 41.3% in 2024 to 42.2% in 2025 mainly due to the unfavourable shift in channel mix within the ANC segment in the Chinese mainland market and the Group's strategic investment in new expansion markets. Excluding the one-time marketing and promotional expenses of RMB178.4 million in relation to the launch of new GB IMF in 2024, selling and distribution costs ratio on a pro forma basis increased from 39.9% in 2024 to 42.2% in 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION (CONTINUED)

Selling and distribution costs (continued)

ANC

Selling and distribution costs of ANC business amounted to RMB2,969.2 million in the year ended 31 December 2025, represented an increase of 14.3% as compared with the previous year. Selling and distribution costs of ANC business as a percentage of the Group's revenue from ANC business increased from 38.8% in 2024 to 42.7% in 2025, primarily due to the channel mix change in the Chinese mainland market and strategic investment in new expansion markets mainly in Asia.

Advertising and marketing expense of ANC business as a percentage to the Group's ANC revenue increased from 31.7% in 2024 to 35.2% in 2025, mainly driven by shifts in channel mix in Chinese mainland market 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 increased slightly from 7.1% in 2024 to 7.5% in 2025.

BNC

Selling and distribution costs of BNC business amounted to RMB2,091.8 million in the year ended 31 December 2025, representing an increase of 8.7% as compared with the previous year. Despite this rise in absolute spending, selling and distribution costs of BNC business as a percentage of the Group's revenue from BNC business decreased from 43.9% in 2024 to 39.8% in 2025. This improvement was primarily attributed to the completion of new 'GB' transition and the Group's ongoing efforts to enhance spending efficiency.

Advertising and marketing expense as a percentage of BNC revenue increased slightly from 14.5% in 2024 to 15.0% in 2025. The selling and distribution costs other than advertising and marketing expense of BNC business as a percentage of revenue decreased from 29.4% in 2024 to 24.8% in 2025. The reduction reflected the Group's continued focus on improving spending efficiency along with the completion of new 'GB' transition.

PNC

Selling and distribution costs of PNC business increased by 14.5% to RMB995.8 million for the year ended 31 December 2025 compared with the previous year. Selling and distribution costs of PNC business as a percentage of its revenue increased from 44.1% for the year ended 31 December 2024 to 46.3% for the same period of 2025, mainly reflecting additional investment required to support the new products launch, channel expansion in existing markets and geography expansion into international markets.

Advertising and marketing expense of PNC business as percentages of its revenue increased slightly from 14.4% in 2024 to 15.4% in 2025. The selling and distribution costs other than advertising and marketing expense of PNC business as a percentage to its revenue increased from 29.7% in 2024 to 30.9% in 2025. The increase was mainly due to the additional investment required to support the launch of new products, particularly the new high-margin pet food and supplement products in the Chinese mainland and North America markets, channel expansion into emerging channels in existing markets, and geography expansion into Europe, Asia and ANZ.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION (CONTINUED)

Administrative expenses

Administrative expenses increased by 7.4% from RMB779.4 million in the year ended 31 December 2024 to RMB837.3 million for the year ended 31 December 2025. As a percentage of the Group's revenue, administrative expenses decreased slightly from 6.0% in 2024 to 5.8% in 2025. This reduction indicates improved operational efficiency and effective cost management initiatives undertaken by the Group.

Other expenses

Other expenses for the year ended 31 December 2025 amounted to RMB466.0 million. Other expenses mainly included research and development ("R&D") expenditure of RMB216.2 million, non-cash impairment of intangible asset in relation to the previous acquisitions of non-core baby food brand of Good Goût in Europe of RMB106.5 million, non-cash fair value losses on derivative financial instruments and financial assets of RMB83.7 million, net foreign exchange loss of RMB17.4 million, and others.

During the year under review, R&D expenditure decreased by 11.0% compared with the prior year, which was mainly attributable to the enhancement of operational efficiency and the effective partnership with strategic suppliers on new product development. R&D expenditure as a percentage of the Group's revenue decreased from 1.9% in 2024 to 1.5% in 2025.

The non-cash fair value losses on derivative financial instruments and financial assets of RMB83.7 million was mainly caused by the fair value losses on the cross currency swap ("CCS") and cross currency interest rate swap ("CCIRS") agreements for the Group's long-term USD debts. Since such CCS and CCIRS are revaluated on each reporting date, the losses mainly represented RMB's appreciation against USD on the reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION (CONTINUED)

EBITDA and EBITDA margin

Adjusted EBITDA for the year ended 31 December 2025 increased by 5.0% to RMB2,050.5 million from RMB1,952.3 million in the prior year. Adjusted EBITDA margin decreased from 15.0% in 2024 to 14.3% in 2025. The decrease in Adjusted EBITDA margin was mainly due to (i) the unfavourable segment mix change towards higher revenue contribution from the relatively low-margin BNC segment; (ii) the higher selling and distribution ratio resulting from the unfavourable channel mix change in ANC Chinese mainland market; and (iii) the strategic investment in new expansion markets. While the decrease was partially offset by the improvement in gross profit margin and administrative expenses ratio.

EBITDA for the year ended 31 December 2025 increased by 26.1% to RMB1,772.6 million, compared with RMB1,405.8 million in the year ended 31 December 2024.

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	
	2025 RMB million	2024 RMB million
EBITDA	1,772.6	1,405.8
Reconciled by:		
<u>Non-cash items*:</u>		
(1) Net foreign exchange losses	17.4	176.8
(2) Net fair value losses/(gains) on derivative financial instruments and financial assets	83.7	(37.8)
(3) Impairment of intangible assets in relation to the previous acquisition of non-core brand Good Goût in Europe	106.5	–
(4) Impairment of goodwill and intangible assets in relation to the previous acquisition of non-core brands Dodie and Good Goût in Europe	–	124.0
(5) Share of losses of associates	20.7	23.0
<u>Non-recurring items*:</u>		
(6) One-time restructuring costs in relation to the product portfolio and channel optimisation exercises in Europe aiming to improve its profitability	29.8	–
(7) One-time consulting fee for group entity structure optimization	19.8	17.0
(8) One-time marketing and promotional expenses in relation to the launch of new GB IMF	–	178.4
(9) One-time restructuring costs in relation to the product portfolio premiumisation and channel optimisation exercises for Solid Gold business in North America market, and the discontinued skincare products under Aurelia brand in the United Kingdom market	–	65.1
Adjusted EBITDA	2,050.5	1,952.3

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION (CONTINUED)

Finance costs

During the year ended 31 December 2025, the Group incurred finance costs of RMB909.9 million, representing a decrease of 1.2% compared with the previous year. The finance costs for the year ended 31 December 2025 included (i) interests for the term loan and senior notes of RMB676.9 million; (ii) RMB224.4 million of one-time premium paid for the tender offer and early redemption of the senior notes due in 2026 and the related non-cash write-off of unamortised transaction costs; and (iii) others.

As the Group has entered into certain cross currency swaps and cross currency interest rate swaps to hedge its interest rate risk and foreign currency risk, respectively, the normalized interests for the interest-bearing bank loans and senior notes was RMB548.3 million for the year ended 31 December 2025, decreased by 16.2% year-on-year. The implied annual interest expense margin⁴ (including the benefit of the above-mentioned hedges) was 5.96% for the year ended 31 December 2025, which decreased from 6.96% for the year ended 31 December 2024.

Income tax expense

Income tax expense increased by 46.5% from RMB250.5 million in the year ended 31 December 2024 to RMB367.0 million in the year ended 31 December 2025. The effective tax rate on a pro forma basis decreased from 42.5% in 2024 to 38.8% in 2025, after adjusting for non-deductible and non-cash items on profit before tax, including the net foreign exchange losses, net fair value losses/(gains) on derivative financial instruments and financial assets, impairment of goodwill and intangible assets in relation to the previous acquisition, share of losses of associates, one-time premium paid for the tender offer and early redemption of the senior notes due in 2026, the related non-cash write-off of unamortised transaction costs, one-time income tax expense reversal resulted from the derecognition of deferred tax liability in related to intangible assets impairment, non-cash write-off of unamortised transaction costs and losses on modification upon refinancing for the loan facilities. On a reported basis, the effective tax rate decreased from 127.3% in 2024 to 65.2% in 2025.

Update On Tax Audit on Biostime Healthy Australia Pty Ltd (“BHA”)

BHA, a subsidiary of the Company, as a top 1,000 taxpayer in Australia, is subject to the Australian Tax Office’s (“ATO”) compliance programs. As disclosed in the Company’s Annual Report for the year ended 31 December 2024 and Interim Report for the six months ended 30 June 2025, BHA has undergone an ATO audit (“ATO Audit”) in respect of the value of intellectual property and other assets transferred as part of the Group-wide integration initiatives in 2018, for which BHA paid AUD19 million (approximately RMB89 million) of tax under the Australian capital gains tax (“CGT”) rules.

Based on the conclusion of ATO Audit above, on 10 April 2025, the ATO issued official notices of amended assessment requesting sum of: (i) AUD234.5 million (approximately RMB1,099.6 million) of primary tax payable by BHA in respect of the year ended 31 December 2018; (ii) AUD55.2 million (approximately RMB258.8 million) of interest and (iii) AUD117.3 million (approximately RMB550.0 million) penalty payable by BHA, respectively.

⁴ The implied annual interest expense margin is calculated by dividing the normalised interest expense including the benefit of hedge arrangements by the average gross interest-bearing debt over the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION (CONTINUED)

Update On Tax Audit on Biostime Healthy Australia Pty Ltd (“BHA”) (continued)

As disclosed in the announcement of the Company dated 4 July 2025, BHA formally objected to the ATO’s amended assessments to officially dispute these amounts in June 2025 (“**Objection**”). On 4 July 2025, having considered BHA’s proposals regarding payment arrangement, the ATO confirmed that it required BHA to provide a cash deposit of AUD104 million (approximately RMB487.9 million) to the ATO by 15 July 2025, in accordance with the ATO administrative practice for disputed tax debts. Consequently, such cash deposit was made on 15 July 2025 and recorded as deposits in the financial statements of the Company as of 31 December 2025. No further deposit is required until the conclusion of this matter.

As of the date of this Annual Report, the review of the Objection by ATO is still in progress. BHA and its representatives have actively engaged with the ATO to discuss technical areas of disagreement and other developments. BHA will continue to vigorously defend its position and is assisted by tax litigation lawyers and preeminent Counsel. Should the ATO disallow the Objection, BHA is prepared to initiate further legal proceedings. In the opinion of the Directors, BHA does not consider that it is probable that there will be a final outflow of funds in relation to the tax matters in dispute. In the event that BHA is successful in the dispute, BHA will be entitled to a refund of the cash deposit paid plus interest.

Net profit/(loss) and adjusted net profit

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

	Year ended 31 December	
	2025 RMB million	2024 RMB million
Net profit/(loss)	196.1	(53.7)
Reconciled by:		
EBITDA adjusted items as listed above	277.9	546.5
<u>Non-cash or non-recurring items*:</u>		
(1) One-time premium paid for the tender offer and early redemption of the senior notes due in 2026, and the related non-cash write-off of unamortised transaction costs	224.4	–
(2) One-time income tax expense reversal resulted from the derecognition of deferred tax liability in related to intangible assets impairment of Good Goût in Europe	(34.3)	–
(3) One-off write-off of unamortised transaction costs and losses on modification upon refinancing for the loan facilities	–	48.4
Adjusted net profit	664.1	541.2

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION (CONTINUED)

Non-IFRS financial measures

To supplement the Group's consolidated financial statements which are prepared in accordance with IFRS, the Group also use adjusted EBITDA and adjusted net profit as additional financial measures, which are not required by, or presented in accordance with IFRS. The Group believes that these non-IFRS financial measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that the Company's management does not consider to be indicative of its operating performance such as certain non-cash or non-recurring items. The use of these non-IFRS financial measures has limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, the Group's results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the year ended 31 December 2025, the Group recorded net cash generated from operating activities of RMB1,536.8 million, resulting from pre-tax cash from operations of RMB1,805.1 million, minus income tax paid of RMB268.3 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 prepayments, other receivables and other assets increased by RMB564.3 million, which mainly represented the deposit paid to ATO. The inventories, net of write-down of inventories to net realisable value, increased RMB78.3 million. The above negative impact was partially offset by (i) the increase in other payables and accruals of RMB368.3 million; and (ii) the increase in trade and bills payables of RMB83.7 million.

Investing activities

For the year ended 31 December 2025, net cash flows used in investing activities amounted to RMB126.8 million, primarily resulted from purchases of property, plant and equipment and intangible assets of RMB94.4 million, and the placement of time deposits with original maturity of three months or more when acquired of RMB40.0 million.

Financing activities

For the year ended 31 December 2025, net cash flows used in financing activities amounted to RMB1,352.9 million, primarily related to the repurchase and redemption of senior notes due 2026 and repayment of interest-bearing bank loans of RMB3,500.8 million, the interest paid for borrowings of RMB537.2 million, the payment of lease liabilities of RMB49.2 million and others. The above cash outflows were partially offset by the proceed from the issuance of senior notes due 2028 and interest-bearing bank loans of RMB2,856.4 million and others.

Cash and bank balances

As of 31 December 2025, cash and cash equivalents and time deposit as stated in the consolidated statement of financial position was RMB1,709.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Interest-bearing bank loans, senior notes and other borrowings

As of 31 December 2025, the Group's outstanding carrying amount of its borrowings amounted to RMB8,894.1 million, including current portion of RMB1,078.8 million. The carrying amount of borrowings included (i) RMB6,079.9 million of interest-bearing bank loans, including current portion of RMB741.7 million; (ii) RMB2,158.6 million of senior notes, including current portion of RMB83.7 million; (iii) RMB410.8 million of guaranteed bonds, including current portion of RMB8.6 million; and (iv) RMB244.8 million of current portion of other borrowings which represented the Group's letter of credit discounting arrangements as part of its working capital optimisation initiatives, with a tenor of no more than 180 days.

The Group's gearing ratio decreased from 49.3% as of 31 December 2024 to 45.8% as of 31 December 2025, calculated by dividing the sum of the carrying amount of the borrowings by total assets. As of 31 December 2025, the net leverage ratio significantly decreased from 3.99x as of 31 December 2024 to 3.45x as of 31 December 2025, calculated as the following table:

	For/as of the year ended 31 December	
	2025	2024
	RMB million	RMB million
Gross debt ⁵	8,790.2	9,403.3
Less: Cash and cash equivalents and time deposit	1,709.0	1,603.9
Net debt	7,081.2	7,799.4
Divided by: Adjusted EBITDA	2,050.5	1,952.3
Net leverage ratio	3.45x	3.99x

Working capital

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

The Group seeks to maintain strict controls over outstanding receivables and creditors to minimize credit risk. The average turnover days for trade and bills receivables decreased from 27 days for the year ended 31 December 2024 to 23 days for the year ended 31 December 2025. The average turnover days of trade payables decreased from 68 days for the year ended 31 December 2024 to 64 days for the year ended 31 December 2025, mainly due to the different cut-off days.

The inventory turnover days decreased from 150 days for the year ended 31 December 2024 to 129 days for the year ended 31 December 2025. The inventory turnover days of ANC products decreased from 141 days for the year ended 31 December 2024 to 128 days for the year ended 31 December 2025. The decrease was mainly due to the higher safety stock built up in 2024 to mitigate business impacts caused by supply shortages. The inventory turnover days of BNC products decreased from 160 days for the year ended 31 December 2024 to 127 days for the year ended 31 December 2025, primarily due to the successful completion of the new 'GB' transition and the higher-than-expected sales. The inventory turnover days of PNC products decreased from 152 days for the year ended 31 December 2024 to 138 days for the year ended 31 December 2025, thanks to the continuing supply chain optimization effort.

⁵ The gross debt as of 31 December 2025 and 2024 are calculated with the outstanding principal of debt instruments (including interest-bearing bank loans, senior notes and guaranteed bonds) being converted to RMB with a constant FX rates as the debt drawdown date.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT BUSINESS DEVELOPMENT AFTER THE END OF THE REPORTING PERIOD

The Group continued to optimise its capital structure through active debt management and to demonstrate its ongoing commitment to deleveraging. In February and March 2026, the Group voluntarily prepaid approximately RMB500 million (equivalent) in aggregate in respect of its USD term loan, resulting in a further reduction in the Group's gross debt. Such prepayments were funded by the Group's internal liquidity and overall funding arrangements, including incremental low-cost RMB borrowings.

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 HKD0.16 per ordinary share for the year ended 31 December 2025. Taking into account of the interim dividend of HKD0.19 per ordinary share in respect of the six months ended 30 June 2025 paid in October 2025, the annual dividend will amount to HKD0.35 per ordinary share, representing approximately 30.0% of the Group's adjusted net profit for the period of year ended 31 December 2025.

Subject to approval at the forthcoming annual general meeting on Friday, 15 May 2026 (the "**2026 AGM**"), the said final dividend will be payable on or about Friday, 17 July 2026 to shareholders whose names appear on the register of members of the Company on Tuesday, 26 May 2026.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Luo Fei (羅飛), aged 62, 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 74 of this Annual Report. Mr. Luo leads the Board and supervises the Group's strategy, risk management and corporate governance. Mr. Luo has over thirty 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 Mother and Child. 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 52, 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 nearly thirty 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 46, 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, and is the chairman of the Company's Environmental, Social and Governance Committee. 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 61, 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 74 of this Annual Report. Dr. Zhang has over twenty-five 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

Non-executive Directors (continued)

Mr. Luo Yun (羅云), aged 65, 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 74 of this Annual Report. From 1980 to 1993, Mr. Luo was employed by Haikou Qiongsan 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 42, 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

Independent Non-executive Directors

Mr. Tan Wee Seng (陳偉成), aged 70, 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 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) Co. Ltd.* (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 chairman 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 Co. Ltd.* (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 forty 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) (Stock Code: 2331), 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 71, 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 thirty 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 twenty 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

Independent Non-executive Directors (continued)

Professor Ding Yuan (丁遠), aged 57, 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, now known as Landsea Green Management Limited* (朗詩綠色管理有限公司)) (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-five 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.

SENIOR MANAGEMENT

Mr. Akash Bedi, aged 42, has been the Chief Executive Officer for North America, Middle East and India from October 2025. He was appointed as one of the Rotating Group CEOs from December 2023 to September 2024. He will be the next Rotating Group CEO from April 2026 to December 2026. Previously, Mr. Bedi has been the Chief Executive Officer for Europe, North America, Middle East and India from November 2023 to September 2025. He was the acting Chief Executive Officer from October 2022 to August 2023 and was the Chief Strategy and Operations 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. Mr. Bedi has successfully expanded the Swisse business across India and Middle East markets. Also, he has led the integration of the Group's pet nutrition brands including Solid Gold and Zesty Paws. Prior to joining the Group, Akash held the position of Director, Global Consumer & Retail at HSBC for over ten 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. Mr. Bedi 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (CONTINUED)

Mr. Zhang Qizhang (張琦章), aged 41, has served as the Chief People Officer of the Group since July 2020 and assumed additional responsibility as Chief IT and Strategy Officer in September 2024. In October 2025, he further expanded his remit to oversee Global Marketing, Group Communication and Global Information Security. He is a standing member of the Group's CEO Office. Mr. Zhang joined the Group in June 2014. He served as Director of the Integrated Marketing Centre from April 2015 to December 2017, after which he was appointed Group General Manager of New Business Development and concurrently took on the role of Chief People Officer from January 2018 to June 2020. He also held the position of General Manager for the United Kingdom between July 2020 to February 2022. Earlier in his tenure, Mr. Zhang was the Marketing Director of Biostime and later on undertook additional responsibility as Director of the Corporate Innovation Marketing Centre. Mr. Zhang began his career at Procter & Gamble ("P&G") in China, joining the company upon graduation and serving as Brand Manager in the Marketing Department until May 2014. He holds a 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 41, is the Rotating Chief Executive Officer of the Group. Ms. Li has served as one of the Rotating Group CEOs from July 2025 to March 2026. She has been the Chief Executive Officer for China since August 2020. She is also a director of several PRC subsidiaries of the Company, including major entities such as Health and Happiness China and Biostime Health. Ms. Li joined the Group in May 2018 as ANC China Sales and Marketing General Manager. She oversees full operations of BNC and ANC in China and is responsible for a broad range of functions in China, including quality & regulation, supply chain and public relationship. Ms. Li has over ten years of experience in fast-moving consumer goods ("FMCG") across sales, marketing and omni-channel management. Prior to joining the Group, Ms. Li worked at Procter & Gamble ("P&G") in China and Singapore from July 2008 to April 2018, where she led the global brand launch of Downy Unstoppable launch across multiple regions and the introduction of Tampax into the China market. Ms. Li graduated from Zhejiang University* (浙江大學) in 2008 with a bachelor's degree in Industrial Design.

Mr. Nicholas Russell Lamande Mann, aged 52, is Chief Executive Officer for Asia, Australia and New Zealand since March 2022. He was appointed as one of the Rotating Group CEOs from October 2024 to June 2025. Mr. Mann joined the Group in September 2017 as Sales Director for Australia and New Zealand and was promoted to Managing Director for Australia and New Zealand in September 2019. Prior to joining the Group, Mr. Mann accumulated over twenty-seven years of experience across senior sales, marketing, and general management roles in CPG, technology and beverage alcohol sectors. He has held several leadership positions at companies 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 46, has been the Managing Director for Europe and General Manager for France from July 2025. Mrs. Laborde was the Chief Growth and Sustainability Officer from January 2024 to August 2025. She has also been the Director of Global Marketing and Communications from November 2021 to December 2023. She was responsible for leading the marketing, communications, and sustainability strategy for H&H globally across our BNC, ANC, and PNC business segments. She joined the Group in March 2019 as General Manager for Good Goût. 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 several Marketing and Sales roles, managing strategic accounts. Mrs. Laborde graduated from Hautes Etudes Commerciales (HEC) and obtained a master's degree in marketing in 2003.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (CONTINUED)

Mr. Christian Sim, aged 52, 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 capacity, 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, 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, which he achieved in 2005.

Ms. Yang Wenyun (楊文筠), aged 42, has been the Senior Director of the Listing Affairs and Risk Management Department since March 2019. She was also appointed as a member of the Environmental, Social, and Governance Committee of the Group in August 2025, from the same time, has been additionally responsible for overseeing the Group's environmental, social and governance ("ESG") matters. She joined the Group in August 2005 and was appointed as one of the Group's joint company secretaries from 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 twenty years with the Group. Ms. Yang is a fellow 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 2024 Annual Report of the Company are set out below:

Name of Director	Details of Change
Mr. Tan Wee Seng	<ol style="list-style-type: none">Mr. Tan Wee Seng was appointed as the chairman of the nomination committee of Shineroad International Holdings Limited* (欣融國際控股有限公司) on 6 June 2025.Mr. Tan Wee Seng ceased to be a member of the nomination committee of Xtep International Holdings Limited* (特步國際控股有限公司) on 18 August 2025 in response to the amendments to the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, which came into effect on 1 July 2025.

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.

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 unified team, where every individual across the Group contributes to our collective strength. 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 2025, 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 it complies with the CG Code and aligns with the latest developments.

* *The amendments to the CG Code effective on 1 July 2025 will apply to corporate governance reports and annual reports for financial years commencing on or after 1 July 2025. For this annual report, the Company shall refer to the then-effective CG Code.*

CORPORATE GOVERNANCE REPORT

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 2025.

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 2025.

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 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 the authority and responsibility to the senior management for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated various responsibilities to these Board committees 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.

CORPORATE GOVERNANCE REPORT

THE BOARD (CONTINUED)

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 23 to 29 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 (*Chairman of the ESG Committee*)

Dr. Zhang Wenhui

Mr. Luo Yun (*Member of the Audit Committee*)

Mrs. Mingshu Zhao Wiggins

Independent non-executive Directors:

Mrs. Lok Lau Yin Ching (*Members of the Remuneration Committee and the Nomination Committee*)

Mr. Tan Wee Seng (*Chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee*)

Professor Ding Yuan (*Chairman of the Audit Committee*)

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.

¹ Mrs. Pascale Laborde, our Chief Growth and Sustainability Officer, resigned as a member of the ESG Committee with effect from 26 August 2025. Ms. Yang Wenyun, our company secretary and one of the authorised representatives, was appointed as a member of the ESG committee with effect from 26 August 2025.

CORPORATE GOVERNANCE REPORT

THE BOARD (CONTINUED)

Delegation by the Board

During the year ended 31 December 2025, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

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

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflicts of interest), 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.

During the year ended 31 December 2025, the day-to-day administration and operation of the Company are delegated to the chief executive officer ("**CEO**") Office ("**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. 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 has also delegated the responsibility to the Audit Committee, Nomination Committee, Remuneration Committee, and ESG Committee 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.

CORPORATE GOVERNANCE REPORT

THE BOARD (CONTINUED)

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 is sequentially taken by regional CEO of North America, Middle East and India, regional CEO of Asia, Australia and New Zealand, and regional CEO of China, who have acted 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 2025, the position of Chairman was held by Mr. Luo Fei, and the position of CEO was first held by Mr. Nicholas Russell Lamande Man, and subsequently by Ms. Li Fengting.

As the member of the CEO Office, the rotating CEO, namely, the current regional CEO of North America, Middle East and India, the regional CEO of Asia, Australia and New Zealand, and the regional CEO of China are Mr. Akash Bedi, Mr. Nicholas Russell Lamande Mann and Ms. Li Fengting, 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. Li Fengting are set out in the section headed "Biography of Directors and Senior Management" on pages 23 to 29 of this Annual Report.

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 23 to 29 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 2025.

CORPORATE GOVERNANCE REPORT

THE BOARD (CONTINUED)

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 communication.

Annual meeting schedules and draft agendas 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 2025, the Board held six meetings. During the meetings of the Board held in 2025, the Board reviewed the operation and financial performance and reviewed and approved the annual results for the year ended 31 December 2024 and the interim results for the six months ended 30 June 2025.

Apart from the six 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 2025.

CORPORATE GOVERNANCE REPORT

THE BOARD (CONTINUED)

Directors Attendances at Board Meetings, Board Committee Meetings and Shareholders' Meeting during the Year Ended 31 December 2025

Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	ESG Committee Meeting ^(Note 5)	Annual General Meeting
Executive Directors						
Mr. Luo Fei ^(Note 1)	6/6	N/A	3/3	3/3	1/1	1/1
Mr. Wang Yidong	6/6	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Mrs. Laetitia Albertini ^(Note 2)	6/6	N/A	N/A	N/A	1/1	1/1
Dr. Zhang Wenhui	6/6	N/A	N/A	N/A	N/A	1/1
Mr. Luo Yun	6/6	2/2	N/A	N/A	N/A	1/1
Mrs. Mingshu Zhao Wiggins	6/6	N/A	N/A	N/A	N/A	1/1
Independent non-executive Directors						
Mr. Tan Wee Seng ^(Note 3)	6/6	2/2	3/3	3/3	N/A	1/1
Mrs. Lok Lau Yin Ching	6/6	N/A	3/3	3/3	N/A	1/1
Professor Ding Yuan ^(Notes 4)	6/6	2/2	N/A	N/A	N/A	0/1
Date of Meeting <i>(DD/MM/YYYY)</i>	25/03/2025	24/03/2025	25/03/2025	18/06/2025	24/11/2025	12/05/2025
	30/05/2025	25/08/2025	30/05/2025	04/12/2025		
	20/06/2025		18/06/2025	23/12/2025		
	26/08/2025					
	05/12/2025					
	23/12/2025					

Notes:

- 1: Chairman of the Board and Nomination Committee
- 2: Chairman of the ESG Committee
- 3: Chairman of the Remuneration Committee
- 4: Chairman of the Audit Committee
- 5: Mrs. Pascale Laborde, resigned as a member of the ESG Committee with effect from 26 August 2025 and didn't attend any ESG Committee meeting during the year ended 31 December 2025. Ms. Yang Wenyun, appointed as a member of the ESG Committee with effect from 26 August 2025, has attended one ESG Committee meeting during the year ended 31 December 2025.

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

CORPORATE GOVERNANCE REPORT

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 64 of this Annual Report.

CORPORATE GOVERNANCE 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 2025, the role of the Chairman and the CEO Office (assuming the roles and responsibilities of CEO) were 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 the suitability of the candidates for potential appointment as an independent non-executive Director, the Nomination Committee and the Board will review, among others, their profiles, including their qualifications 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 2025 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 interest with the Company and appropriate actions would be taken by the Board to manage conflicts when such conflicts arise.

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) 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.

CORPORATE GOVERNANCE REPORT

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. These procedures are available and accessible on the Company's website at www.hh.global.

Each of the Directors 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, assisting the Board in maintaining a board skills matrix, making recommendations to the Board on the appointment, re-appointment and succession planning of Directors, assessing the independence of independent non-executive Directors, and reviewing and monitoring the training and continuous professional development of Directors and senior management.

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 2025 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.

CORPORATE GOVERNANCE REPORT

THE BOARD (CONTINUED)

Continuous Professional Development

Directors keep abreast of responsibilities as a Director 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 2025, the Company engaged the internal Digital Commerce Expert to provide a training to the Directors in order to facilitate their learning and understanding of the latest digital commerce trends and solution landscape in the Chinese Mainland market.

During the year ended 31 December 2025, the Directors participated in the following trainings, covering the following topics: (i) duties of board and directors; (ii) Listing Rules and Hong Kong law compliance (including regulatory update); (iii) corporate governance and environmental, social and governance (ESG); (iv) risk management and internal controls; and (v) industry and business updates:

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.

CORPORATE GOVERNANCE REPORT

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 2025, 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 2025. The Directors' responsibilities for preparing the financial statements of the Company for the year ended 31 December 2025 are set out in the Directors' Report on page 79 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 2025.

CORPORATE GOVERNANCE REPORT

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 Company has also complied with Code Provision B.3.5 of the CG Code (with effective on 1 July 2025), which provides that the Nomination Committee should include at least one member of a different gender.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code (with effective on 1 July 2025), and were amended with effect from 30 May 2025. The principal duties of the Nomination Committee include, among others, reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, assisting the Board in maintaining a board skills matrix, making recommendations to the Board on the appointment, re-appointment and succession planning of Directors, assessing the independence of independent non-executive Directors, and reviewing and monitoring the training and continuous professional development of Directors and senior management.

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 three meetings during the year ended 31 December 2025 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 2025" on page 36 of this Annual Report.

Board Performance Review

Pursuant to Code Provision B.1.4 of the CG Code (with effective on 1 July 2025), an issuer should conduct a formal evaluation of the board's performance ("**Board Performance Evaluation**") at least every two years.

During the year ended 31 December 2025, the Company has not conducted the Board Performance Evaluation. The Board shall set up a policy for the Board Performance Evaluation during the year ending 31 December 2026.

Board Skills Matrix

Pursuant to Code Provision B.1.5 of the CG Code (with effective on 1 July 2025), an issuer should maintain a board skills matrix. The Board shall set up a board skills matrix during the year ending 31 December 2026.

CORPORATE GOVERNANCE 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 above objectives were achieved as planned by the end of 2024 and maintained during the year ended 31 December 2025.

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

CORPORATE GOVERNANCE REPORT

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 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. There was no change in the composition of the Board during the year ended 31 December 2025.

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, Mrs. Laetitia Albertini, the non-executive Director, Mrs. Lok Lau Yin Ching and Professor Ding Yuan, the independent non-executive Directors, shall retire from office by rotation at the forthcoming AGM to be held on 15 May 2026 (the "**2026 AGM**"). All the above Directors, being eligible, will offer themselves for re-election at the 2026 AGM.

The Company's circular dated 10 April 2026 contains detailed information of the Directors standing for re-election.

CORPORATE GOVERNANCE REPORT

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 auditor.

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 2025 and the annual results for the year ended 31 December 2025, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2025 and the Annual Report for the year ended 31 December 2025, 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 auditor 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 auditor.

The Audit Committee held two meetings during the year ended 31 December 2025 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 2025" on page 36 of this Annual Report.

The Audit Committee also met the external auditor twice without the presence of the executive Directors in the year of 2025.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (CONTINUED)

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about its reporting responsibilities for the financial statements of the Company is set out in the Independent Auditor's Report on pages 80 to 85 of this Annual Report.

Non-audit services by the external auditor 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 auditor.

The Audit Committee has reviewed the independence and objectivity of the external auditor in 2025 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 auditor at the 2026 AGM.

During the year ended 31 December 2025 under review, the remuneration paid/payable to the Company's external auditor, Ernst & Young, is set out below:

Type of Services	RMB'000
Annual audit services	8,559
Non-audit services	
– Review of interim condensed consolidated financial statements	2,531
– Tax advisory & global compliance services	191
– Other financial services	57
– Other advisory services	20
Total	11,358

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.

CORPORATE GOVERNANCE REPORT

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 2025 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 three meetings during the year ended 31 December 2025 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 2025" 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 Ms. Yang Wenyun (Company Secretary and one of the authorised representative of the Company). Mrs. Laetitia Albertini was appointed as the chairman of the ESG Committee.

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

- (a) assisting the Board to oversee, review and make recommendations to the Board on the establishment and development of the Group's vision, objectives, targets and strategies on sustainability;
- (b) developing, reviewing and overseeing the implementation of the sustainability policies and procedures of the Group on their effectiveness and make recommendations to the Board;
- (c) identifying the relevant sustainability issues and relevant circumstances that significantly affect the operations of the Group and/or the interest of other important stakeholders;
- (d) reviewing major trends in sustainability and related risks and opportunities for alignment of the Group's position and performance on the sustainability issues are aligned with relevant requirements and standards, and make recommendations to the Board;
- (e) properly managing the risks associated with the sustainable development of the Group; and
- (f) supporting and working with the sustainability working group of the Group to improve the quality of sustainability information disclosure.

The ESG Committee has reviewed and recommended the Group's sustainability materiality assessment, discussed the Group's climate action plan, reviewed the diversity, equity and inclusion strategy, and recommended to the Board the inclusion of environmental, social and governance metrics into the Chief Executive Officer 2025 short term incentive plan.

The ESG Committee held one meeting during the year ended 31 December 2025 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 2025" on the page 36 of this Annual Report.

CORPORATE GOVERNANCE REPORT

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 control 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

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 (the "**Framework**"). This Framework explicitly outlines roles and responsibilities, the risk management process, communication channels, training programs, and other fundamental principles. In 2025, 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.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Risk Management (continued)

1. Main Features of H&H Risk Management System (continued)

(ii) Risk Management Organization and Accountability (continued)

– 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.

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 interviews are held with directors and 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)

The Company issued the Group Signing Authority Policy (PoA Policy), which became effective in April, 2024. The policy standardizes contract signing practices by clearly defining authorized signatories and their approval limits across the Group and its subsidiaries, helping ensure compliance while improving operational efficiency. In addition, the Group regularly updated its Delegation of Authority Policy (DoA Policy) and released the latest DoA matrices, consistently applied across all regions and functions. These policies and supporting matrices establish a robust and transparent framework for the exercise of approval authority, clearly defining implementation requirements and responsibilities throughout the H&H Group.

CORPORATE GOVERNANCE REPORT

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 established an integrated internal control (“IC”) system comprising policies and procedures, communication and supervision mechanisms, and performance auditing arrangements.

In October 2023, the Company issued the Group Internal Control Manual (the “Manual”) to further formalize and standardize the internal control framework. The Manual sets out the Group’s internal control philosophy and governance approach, including the control environment, key internal control measures and principles applicable to Group operations, as well as requirements for periodic internal control self-assessments.

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 2025, the IARM function conducted more than 10 targeted audits across multiple operational areas, with the support and cooperation of the relevant departments. The scope of these audits included system implementations, process optimization initiatives, and business management reviews, covering on-site audits of the Farmland and Changsha factories, as well as reviews of procurement and facilities management, marketing asset management, domestic logistics in China Region, and other operational functions. These audit activities contributed to the ongoing enhancement of the Group’s internal control framework.

3. Business Ethics and Integrity

The Company advocates the principles of 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. *Compliance Training for New Joiners and Biennial Group-wide Compliance Training:*

In 2025, all newly hired employees of H&H across all regions received and completed a mandatory Compliance Training. The training covered those fundamental compliance principles, including the Code of Conduct, anti-fraud requirements, and conflict of interest management.

In 2026, we will continue to launch the biennial Group-wide Compliance Training program for all team members, which covers a broader range of compliance topics and is designed to further strengthen compliance awareness and culture across the organization.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Risk Management (continued)

3. Business Ethics and Integrity (continued)

2. Whistle-blowing and Anti-fraud Management:

Our whistle-blower reporting platform 'HH Speak Up' has been functioning well since 2019. For 2025, 31 cases of non-compliance and fraud were reported to IARM, and 5 employees were dismissed and 27 employees were disciplined internally due to their serious violation of the Company's policies. We also sought the support from our external consultants for 5 cases, which significantly facilitated the fraud investigation.

Review of Risk and Control Management Effectiveness

The Audit Committee reviews the effectiveness of the Group's risk and control managements at the semi-annual committee meetings, 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 2025, 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 Directors, Company's 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.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (CONTINUED)

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.

During the year ended 31 December 2025, the Company attended 21 onshore and offshore investor conferences and approximately 500 individual or group meetings with analysts, institutional investors. The investors' conferences and roadshows attended by the Company during the twelve months ended 31 December 2025 are summarized as follows:

Date	Event	Organizer	Location
March 2025	Post Annual Results Non-deal Roadshow	Citi	Hong Kong
March 2025	Post Annual Results Non-deal Roadshow	CLSA	Hong Kong
April 2025	Post Annual Results Non-deal Roadshow	Goldman Sachs	Sydney
April 2025	Post Annual Results Non-deal Roadshow	Huaxi Securities	Shenzhen
April 2025	Post Annual Results Non-deal Roadshow	CITIC Securities	Shanghai
April 2025	Post Annual Results Non-deal Roadshow	CICC	Beijing
May 2025	SCC Investment Strategy Conference 2H2025	Soochow Securities	Shanghai
May 2025	Huachuang Securities Investment Strategy Conference 2H2025	Huangchuang Securities	Shanghai
May 2025	Citi's 2025 China Elite Corporate Day	Citi	Shenzhen
May 2025	China Securities Domestic Demand Theme Conference	China Securities	Shenzhen
May 2025	Changjiang Securities Elite Listed Company Conference	Changjiang Securities	Shenzhen
May 2025	Global Banking and Markets: Middle East 2025	Global Banking & Markets	Dubai
May 2025	Post Q1 Updates Investor Non-deal Roadshow	Mashreq	Dubai
June 2025	Post Q1 Updates Investor Non-deal Roadshow	Deutsche Bank	Singapore
June 2025	J.P. Morgan Asia Credit Conference	J.P. Morgan	Singapore
June 2025	Post Q1 Updates Investor Non-deal Roadshow	Citi, CLSA	Singapore
June 2025	CICC Investment Strategy Conference 2H2025	CICC	Shanghai
June 2025	Huaxi Securities Investment Strategy Conference 2H2025	Huaxi Securities	Shanghai
August 2025	Post 2025 Interim Results Non-deal Roadshow	Citi	Hong Kong
August 2025	Post 2025 Interim Results Non-deal Roadshow	CLSA	Hong Kong
August 2025	Post 2025 Interim Results Non-deal Roadshow	Morgan Stanley	Hong Kong
September 2025	Post 2025 Interim Results Non-deal Roadshow	Huatai Securities	Hong Kong
September 2025	China Merchants Securities Investment Strategy Conference	China Merchants Securities	Hong Kong
September 2025	Goldman Sachs Asia Leaders Conference 2025	Goldman Sachs	Hong Kong
September 2025	CLSA Investors' Forum 2025	CLSA	Hong Kong
September 2025	2025 BofA APAC Equity and Credit Conference	Bank of America	Hong Kong
September 2025	Post 2025 Interim Results Non-deal Roadshow	CICC	Beijing
September 2025	Post 2025 Interim Results Non-deal Roadshow	CITIC Securities	Shanghai
September 2025	Post 2025 Interim Results Non-deal Roadshow	Soochow Securities	Shenzhen
October 2025	Soochow Securities (HK) Investment Strategy Conference	Soochow Securities (HK)	Hong Kong
October 2025	Nomura Asian Credit Corporate Day 2025	Nomura	Hong Kong
October 2025	China Credit Forum 2025	Deutsche Bank	Xi'an
November 2025	Citi's 2025 China Conference	Citi	Shenzhen
November 2025	CICC 2025 Investment Strategy Conference	CICC	Beijing
November 2025	China Securities 2026 Capital Markets Summit	China Securities	Beijing
November 2025	Morgan Stanley Asia Pacific Summit	Morgan Stanley	Singapore

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (CONTINUED)

Date	Event	Organizer	Location
November 2025	Post Q3 Updates Investor Non-deal Roadshow	Morgan Stanley	Singapore
November 2025	Asian Consumer, Internet and Gaming Corporate Day 2025	UBS	Hong Kong
November 2025	Post Q3 Updates Investor Non-deal Roadshow	CLSA	Hong Kong
November 2025	Post Q3 Updates Investor Non-deal Roadshow	Soochow Securities	Shenzhen
December 2025	CITIC Securities Global Consumer & Healthcare Forum	CITIC Securities	Shanghai
December 2025	Post Q3 Updates Investor Non-deal Roadshow	Huatai Securities	Shanghai

The last shareholders' meeting was the AGM held on 12 May 2025 at Rooms 1903-1906, 19/F, Alexandra House, 18 Chater House, Central, Hong Kong for approval of, among other items, the general mandates to issue and repurchase shares of the Company and the re-election of retiring Directors. Particulars of the major items considered at the AGM are set out in the circular dated 3 April 2025. All the proposed ordinary resolutions were passed by way of poll at the AGM.

The 2026 AGM will be held on 15 May 2026. 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

During the year ended 31 December 2025 under review, the Company has not made any changes to its Memorandum and Articles of Association. The latest 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. 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;

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY (CONTINUED)

- 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 requisitioner(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 requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(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 2025.

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 2025 are set out in note 1 to the financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2025 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 6 to 10 and pages 11 to 22, respectively, of this Annual Report.

KEY RISKS AND UNCERTAINTIES

I. Risks Relating to Our Businesses and Industries

1. Macroeconomic Fluctuations and Regional Economic Environment Risks

Global financial markets have been affected by a general slowdown of economic growth, resulting in substantial volatility and a tightening of liquidity in global credit markets. The PRC economy is facing the risk of a slowdown due to weakened exports and nationwide structural reforms, leading to "uneven growth" across different sectors and geographical areas. Weakened consumer confidence in the PRC and overseas markets – driven by inflationary pressures, unemployment levels, and corporate debt default rates – directly reduces sales and profitability of the enterprises. There can be no assurance that these conditions will not persist for an extended period, further impacting the financial condition of our customers and the Group.

Additionally, geopolitical events and global trade tensions could heighten market volatility, particularly due to the instability of governments' tariff policies. This could escalate trade wars and lead to further disruptions in cross-border trade. Such uncertainties surrounding tariffs and international policies may significantly impact the Group's global supply chain operations, causing supply interruptions, increasing costs, and ultimately reducing our profitability.

2. Intensified Industry Competition

The markets in which we operate are intensely competitive. We compete simultaneously against large global companies with substantial financial resources and internationally well-known brands, as well as local brands sold at lower prices. In addition, we also face competition from online retailers, which may further intensify given the anticipated low birth rate in the PRC. Competition is driven by brand recognition, product innovation, and the ability to satisfy rapidly evolving consumer preferences.

DIRECTORS' REPORT

KEY RISKS AND UNCERTAINTIES (CONTINUED)

I. Risks Relating to Our Businesses and Industries (continued)

3. Impact of Declining Birth Rates in Chinese mainland on BNC Business

The BNC business is highly dependent on demographic growth in Chinese mainland, which has been lower than expected. According to the National Bureau of Statistics of the PRC, the number of births per year declined from 17.2 million in 2017 to approximately 9.5 million in 2024. Critically, the decline appears to be accelerating, with only approximately 7.9 million births recorded in 2025. This "dampening effect" on IMF demand presents a structural challenge to the overall market size for pediatric products.

II. Operational Risks

4. Dependence on Relationships with Third-Party Suppliers

The Group depends on the cooperative relationships with third-party to source high-quality raw materials from Western Europe (specifically France, Italy, and Denmark), Australia, Asia, and North America. Supply chains are vulnerable to political instability, shipping delays, and increased transportation costs. Geopolitical tensions, such as past and potential additional tariffs imposed by the U.S. government on Chinese goods, may increase the instability in tariffs, quotas, and trade routes.

5. Dependence on Key Contract Manufacturer Dependence

The manufacturing of many of our products is a highly exacting and complex process governed by strict regulatory requirements. We are dependent on specific contract manufacturers, of which problems such as equipment malfunction, failure to follow protocols, or the unavailability of manufacturing certifications can lead to the loss or supply disruption of entire batches of products.

III. Regulatory, Compliance, and Legal Risks

6. Changes in Laws, Regulations, and Compliance Risks

The Group is subject to numerous laws and regulations in China and multiple judicial regions, including a variety of food safety regulations and registration regulations. The regulations of the industry in which we operate is also undergoing changes. Changes in existing laws or new interpretations of such laws may have a significant impact on our methods and costs of doing business, and there is no assurance that these existing laws and regulations applicable to us will remain the same in the future, or any changes thereto will not have an adverse impact on us. It can be costly to comply with current and future regulatory requirements.

7. Internal Control and Compliance Management Risks

Although the Group has established an internal control and compliance management system, there remains the possibility of internal control failures arising from inadequate implementation of policies, human error, system deficiencies, or fraudulent activities, which may result in financial losses, compliance risks, or adverse impacts on the Group's reputation.

8. Information Systems and Data Security Risks

We rely heavily on information technology and administrative systems, including ERP and CRM platforms. Failure of the information technology or administrative systems could affect our business operations, and result in transaction errors, processing inefficiencies and the loss of sales and consumers.

DIRECTORS' REPORT

KEY RISKS AND UNCERTAINTIES (CONTINUED)

IV. Financial and Capital Risks

9. Currency Exchange Rate and Interest Rate Fluctuation Risks

The majority of our earnings are denominated in Renminbi (RMB) and Australian Dollars (AUD), Thereby, we are primarily exposed to currency risk on purchases and borrowings that are denominated in a currency other than the Renminbi and the Australian dollar. Whilst we have entered into certain hedging arrangements to mitigate the impact of currency exchange rate fluctuations on the cost of products and in respect of US dollar-denominated liabilities, we cannot assure you that our hedging will be always effective. To the extent we are unable to effectively hedge or offset these currency risks, they could have a material adverse effect on our financial performance.

Furthermore, with respect to our floating interest rate instruments, namely the Senior Facilities, we are exposed to the interest rate risk, and for our fixed interest rate instruments, we are exposed to fair value interest rate risk. Although we have entered into interest rate swap agreements, changes in interest rates may have a material adverse effect on our results of operations if the interest rate movement is not effectively hedged.

10. Liquidity and Financing Risks

We possess a substantial amount of indebtedness. We are subject to restrictive debt covenants that may limit our ability to conduct our business to pursue business opportunities and activities. For example, the Senior Facilities contains financial covenants that require us to maintain specified net leverage and interest coverage ratios. Our ability to comply with the agreed ratios under these covenants may be affected by our future operating performance. Any reduction in sales or margin performance could negatively impact our net leverage ratio and interest coverage ratios.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2025 are set out in the consolidated financial statements on pages 86 to 92 of the Annual Report. The Board declared an interim dividend of HKD0.19 per ordinary share in respect of the six months ended 30 June 2025. The Directors recommended the payment of a final dividend of HKD0.16 per ordinary share for the year ended 31 December 2025 to be paid on or about Friday, 17 July 2026 to the shareholders whose names appear on the register of members of the Company on Tuesday, 26 May 2026. 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 HKD0.16 per ordinary share is subject to approval by the shareholders in the forthcoming annual general meeting of the Company to be held on Friday, 15 May 2026 ("**2026 AGM**"). Such dividends will be distributed from the retained profits of the Company. Details of the dividends for the year ended 31 December 2025 are set out in note 10 to the financial statements.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the 2026 AGM

The register of members of the Company will be closed from Tuesday, 12 May 2026 to Friday, 15 May 2026, both days inclusive, during which period no transfer of shares can be registered. The record date is Friday, 15 May 2026. In order to qualify for the entitlement to attend and vote at the 2026 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 May 2026.

(b) Entitlement to the proposed final dividend

The register of members of the Company will be closed from Thursday, 21 May 2026 to Tuesday, 26 May 2026, both days inclusive, during which period no transfer of shares can be registered. The record date is Tuesday, 26 May 2026. 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 Wednesday, 20 May 2026.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2025 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 2025 are set out in note 31 to the financial statements.

As at 31 December 2025, the Company did not hold any treasury shares.

RESERVE

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2025 are set out in notes 43 and 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2025, 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 RMB8,832.9 million, of which approximately RMB90.8 million have been proposed as a final dividend for the year. Details of the reserves of the Company as at 31 December 2025 are set out in note 43 to the financial statements.

DIRECTORS' REPORT

CHARITABLE DONATIONS

The Group established Biostime China Foundation for Mother and Child (the “**Foundation**”) in cooperation with the Chinese Red Cross Foundation since 2007. The Group’s donation to charity includes the donation of RMB0.1 for each Biostime products sold in Chinese mainland to the Foundation. For the years ended 31 December 2023, 2024 and 2025, the Group’s donations to the Foundation were RMB3.8 million, RMB2.8 million and RMB2.9 million, respectively.

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, is set out on page 202 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 2025, 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 25.6% of the total purchases of the Group for the year ended 31 December 2025, while the purchases made from the five largest suppliers accounted for 48.3% 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 during the year ended 31 December 2025 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

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, Mrs. Laetitia Albertini, Mrs. Lok Lau Yin Ching and Professor Ding Yuan shall retire from office by rotation. All of them, being eligible, will offer themselves for re-election at the 2026 AGM.

DIRECTORS' REPORT

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 2025	24 June 2027
Mr. Luo Yun	17 December 2010	12 May 2025	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	12 May 2025	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 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 2025 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 2025.

DIRECTORS' REPORT

REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 December 2025 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 23 to 29 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 2025, 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 2025, the Group employed 2,758 employees. Further information please refer to our 2025 ESG report.

None of the Directors waived any emoluments during the year ended 31 December 2025.

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' REPORT

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

As at 31 December 2025, the interests and short positions of the Directors and the chief executives of the Company and their respective close associates in the shares, 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:

(1) Interests and short Positions in Shares, Underlying Shares and Debentures of the Company

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	594,731 (Note 2)	0.09%
	Beneficial owner	Long position	1,400,000 (Note 4)	0.22%
Mrs. Laetitia Albertini	Beneficial owner	Long position	1,305,367 (Note 1)	0.20%
	Beneficial owner	Long position	893,027 (Note 2)	0.14%
Mr. Luo Yun	Beneficiary of a trust (other than a discretionary interest)	Long position	432,000,000 (Note 3)	66.92%
Mrs. Mingshu Zhao Wiggins	Beneficial owner	Long position	40,000 (Note 1)	0.01%
Mr. Tan Wee Seng	Beneficial owner	Long position	180,000 (Note 1)	0.03%
	Beneficial owner	Long position	200,000 (Note 2)	0.03%
Mrs. Lok Lau Yin Ching	Beneficial owner	Long position	120,000 (Note 1)	0.02%
	Beneficial owner	Long position	100,000 (Note 2)	0.02%
Professor Ding Yuan	Beneficial owner	Long position	80,000 (Note 1)	0.01%
Mr. Zhang Qizhang	Beneficial owner	Long position	387,388 (Note 1)	0.06%
	Beneficial owner	Long position	364,013 (Note 2)	0.06%
	Beneficial owner	Long position	1,200,000 (Note 4)	0.19%
Mr. Nicholas Russell Lamande Mann	Beneficial owner	Long position	196,737 (Note 1)	0.03%
	Beneficial owner	Long position	257,369 (Note 2)	0.04%
	Beneficial owner	Long position	1,200,000 (Note 4)	0.19%

DIRECTORS' REPORT

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

(1) Interests and short Positions in Shares, Underlying Shares and Debentures of the Company (continued)

Name of Director	Capacity/Nature of interest	Long/Short position	Shares or underlying shares (under equity derivatives of the Company)	Approximate percentage of interest in the Company (Note 5)
Ms. Li Fengting	Beneficial owner	Long position	264,584 (Note 1)	0.04%
	Beneficial owner	Long position	177,326 (Note 2)	0.03%
	Beneficial owner	Long position	1,500,000 (Note 4)	0.23%
Mr. Akash Bedi	Beneficial owner	Long position	264,584 (Note 1)	0.04%
	Beneficial owner	Long position	224,743 (Note 2)	0.03%
	Beneficial owner	Long position	1,200,000 (Note 4)	0.19%

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 2025, 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. 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 share options granted by the Company under the 2024 Share Scheme which had not vested as at 31 December 2025.

Note 5: As at 31 December 2025, the total number of the issued shares of the Company was 645,561,354.

DIRECTORS' REPORT

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

(2) Interests and short Positions in Shares, Underlying Shares and Debentures of Associated Corporations

Name of Director	Name of the associated corporation	Capacity/Nature of interest	Long/Short position	Shares or underlying shares of interest of the associated corporation	Approximate percentage of interest in the same class of share capital of the associated corporation (Note)
Mrs. Mingshu Zhao Wiggins	PROVEN GROUP, INC.	Beneficial owner	Long position	11,729,974	43.87%
		Interest of spouse	Long position	1,000,000	3.74%
		Interest of child under 18 years of age	Long position	1,000,000	3.74%

Note: As at 31 December 2025, the number of common stock issued by PROVEN GROUP, INC. was 26,740,441.

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 and/or any of its associated corporations (within the meaning of Part XV of the SFO), recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2025.

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 2025, with a view to reducing financing cost and optimising capital structure, the Company has in aggregate repurchased and redeemed USD297,000,000 in principal amount of the 13.5% senior notes due 2026, which was financed by the issuance of 9.125% senior notes due 2028. Upon completion of this repurchase and redemption, none of the 13.5% senior notes due 2026 remained in issue. For details about the issuance of the 9.125% senior notes due 2028 and the redemption of the 13.5% senior notes due 2026, please refer to the announcements of the Company dated 13 January 2025, 16 January 2025, 22 January 2025 and 27 January 2025.

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 2025.

SHARE SCHEMES

The Company has adopted six share schemes for share options and/or share awards. As at 31 December 2025, 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 2025 divided by the weighted average number of shares of the relevant class in issue for the year ended 31 December 2025 was 2.04% approximately.

DIRECTORS' REPORT

SHARE SCHEMES (CONTINUED)

The details of the share schemes are as follows:

2024 Share Scheme

A share scheme ("**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 of the Company. 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.

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 8 years.

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

DIRECTORS' REPORT

SHARE SCHEMES (CONTINUED)

2024 Share Scheme (continued)

Particulars and movements of share options ("Share Options") granted under the 2024 Share Scheme during the year ended 31 December 2025 by category of grantees were as follows:

Category of Grantees	Date of grant	Exercise price per share (HKD)	Closing price per share immediately before the date of grant (HKD)	Number of Share Options					Outstanding as at 31 December 2025
				Outstanding as at 1 January 2025	Granted during the year ended 31 December 2025	Exercised during the year ended 31 December 2025	Lapsed during the year ended 31 December 2025	Cancelled during the year ended 31 December 2025	
Director									
Mr. Wang Yidong	23/12/2025	13.54	13.60	-	1,400,000	-	-	-	1,400,000
Chief Executives									
Mr. Akash Bedi	23/12/2025	13.54	13.60	-	1,200,000	-	-	-	1,200,000
Ms. Li Fengting	23/12/2025	13.54	13.60	-	1,500,000	-	-	-	1,500,000
Mr. Nicholas Russell Lamande Mann	23/12/2025	13.54	13.60	-	1,200,000	-	-	-	1,200,000
Mr. Zhang Qizhang	23/12/2025	13.54	13.60	-	1,200,000	-	-	-	1,200,000
Sub-total				-	6,500,000	-	-	-	6,500,000
Other Employees	23/12/2025	13.54	13.60	-	6,570,000	-	-	-	6,570,000
Sub-total				-	6,570,000	-	-	-	6,570,000
Total				-	13,070,000	-	-	-	13,070,000

No Share Options granted under 2024 Share Scheme were exercised or cancelled during the year ended 31 December 2025.

The Share Options granted on 23 December 2025 shall vest in accordance with the following schedule, which shall be exercisable for 10 years from the date of grant and after they are vested:

Vesting Date	Percentage of Share Options to be vested
1 April 2027	30% of the total number of share options granted
1 April 2028	30% of the total number of share options granted
1 April 2029	40% of the total number of share options granted

The total number of share options and share awards available for grant under the 2024 Share Scheme mandate as at 1 January 2025 and 31 December 2025 were 64,556,135 and 51,486,135, respectively.

The total number of shares available for issue under the 2024 Share Scheme as at 31 December 2025 was 51,486,135, representing approximately 8.0% of the Company's issued shares (excluding treasury shares, if any) as at 31 December 2025.

DIRECTORS' REPORT

SHARE SCHEMES (CONTINUED)

2022 Share Award Scheme

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

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

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

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

The Board shall not make any further award which will result in the number of shares administered under the 2022 Share Award Scheme to exceed in total 10% of the Company's issued shares 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 shares 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 6 years. Further details of the 2022 Share Award Scheme are set out in the Company's announcement dated 11 January 2022.

DIRECTORS' REPORT

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 2025 by category of grantees were as follows:

Category of Grantees	Date of grant	Closing price per share immediately before the date of grant (HKD)	Outstanding as at 1 January 2025	Number of Awarded Shares				Outstanding as at 31 December 2025
				Granted during the year ended 31 December 2025	Vested during the year ended 31 December 2025 ⁽¹⁾	Lapsed during the year ended 31 December 2025	Cancelled during the year ended 31 December 2025	
Directors								
Mr. Wang Yidong	08/04/2022	11.90	317,539	-	-	(317,539)	-	-
Mrs. Laetitia Albertini	28/03/2024	10.98	48,000	-	(48,000)	-	-	-
Mrs. Mingshu Zhao Wiggins	28/03/2024	10.98	40,000	-	(40,000)	-	-	-
Mr. Tan Wee Seng	08/04/2022	11.90	48,000	-	(48,000)	-	-	-
Mrs. Lok Lau Yin Ching	08/04/2022	11.90	48,000	-	(48,000)	-	-	-
Prof. Ding Yuan	05/09/2023	10.20	48,000	-	(48,000)	-	-	-
Sub-total			549,539	-	(232,000)	(317,539)	-	-
Other Employees	08/04/2022	11.90	795,499	-	-	(795,499)	-	-
Sub-total			795,499	-	-	(795,499)	-	-
Total			1,345,038	-	(232,000)	(1,113,038)	-	-

Note:

- 1 The weighted average closing price of these shares immediately before the dates on which the relevant award shares were vested is HKD9.27.

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

DIRECTORS' REPORT

SHARE SCHEMES (CONTINUED)

2022 Share Award Scheme (continued)

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 2025 and 31 December 2025 were 60,375,429 and 61,488,467, respectively.

The total number of shares available for issue under the 2022 Share Award Scheme as at 31 December 2025 was 57,808,894, representing approximately 8.95% of the Company's issued shares (excluding treasury shares, if any) as at 31 December 2025.

2020 Share Option Scheme

A share option scheme ("**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 granted under the 2020 Share Option Scheme was made for the year ended 31 December 2025.

Eligible participants of the 2020 Share Option Scheme include the 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 4 years until 7 May 2030.

The maximum number of shares which may be issued upon exercise of all outstanding 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.

DIRECTORS' REPORT

SHARE SCHEMES (CONTINUED)

2020 Share Option Scheme (continued)

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, 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 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 2025 by category of grantees were as follows:

Category of Grantees	Date of grant (DD/MM/YYYY)	Exercise price per share (HKD)	Closing price per share immediately before the date of grant (HKD)	Number of Share Options					
				Outstanding as at 1 January 2025	Granted during the year ended 31 December 2025	Exercised during the year ended 31 December 2025	Lapsed during the year ended 31 December 2025	Cancelled during the year ended 31 December 2025	Outstanding as at 31 December 2025
Directors									
Mr. Wang Yidong	30/11/2020	31.88	31.90	216,405	-	-	-	-	216,405
Mrs. Laetitia Albertini	30/11/2020	31.88	31.90	514,701	-	-	-	-	514,701
Sub-total				731,106	-	-	-	-	731,106
Employees and others									
	30/11/2020	31.88	31.90	853,356	-	-	(17,119)	-	836,237
	13/07/2021	31.02	31.10	177,284	-	-	(77,714)	-	99,570
Sub-total				1,030,640	-	-	(94,833)	-	935,807
Total				1,761,746	-	-	(94,833)	-	1,666,913

No Share Options granted under 2020 Share Option Scheme were exercised or cancelled during the year ended 31 December 2025.

DIRECTORS' REPORT

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:

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 2025 was the same as the number of outstanding Share Options, i.e. 1,666,913, representing approximately 0.26% of the Company's issued shares (excluding treasury shares, if any) as at 31 December 2025.

2010 Share Option Scheme

The Company operates a share option scheme ("**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 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**").

DIRECTORS' REPORT

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, 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.

DIRECTORS' REPORT

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 2025 by category of grantees were as follows:

Category of Grantees	Date of grant (DD/MM/YYYY)	Exercise price per share (HKD)	Closing price per share immediately before the date of grant (HKD)	Number of Share Options					Outstanding as at 31 December 2025
				Outstanding as at 1 January 2025	Granted during the year ended 31 December 2025	Exercised during the year ended 31 December 2025	Lapsed during the year ended 31 December 2025	Cancelled during the year ended 31 December 2025	
Directors									
Mr. Luo Fei	24/08/2017	29.25	26.75	493,002	-	-	-	-	493,002
Mr. Wang Yidong	03/05/2016	21.05	21.60	36,230	-	-	(36,230)	-	-
	24/08/2017	29.25	26.75	378,326	-	-	-	-	378,326
Mrs. Laetitia Albertini	24/08/2017	29.25	26.75	378,326	-	-	-	-	378,326
Mr. Tan Wee Seng	19/04/2017	25.75	25.50	100,000	-	-	(50,000)	-	50,000
	25/03/2020	26.10	26.10	150,000	-	-	-	-	150,000
Mrs. Lok Lau Yin Ching	25/03/2020	26.10	26.10	100,000	-	-	-	-	100,000
Sub-total				1,635,884	-	-	(86,230)	-	1,549,654
Employees and others									
	29/12/2015	15.58	14.64	274,216	-	-	(274,216)	-	-
	30/09/2016	20.92	20.15	15,080	-	-	(15,080)	-	-
	23/12/2016	23.30	22.60	18,762	-	-	(18,762)	-	-
	19/04/2017	25.75	25.50	207,660	-	-	(7,660)	-	200,000
	07/07/2017	22.15	21.10	23,199	-	-	(23,199)	-	-
	24/08/2017	29.25	26.75	1,709,785	-	-	(235,225)	-	1,474,560
	05/12/2017	47.10	24.80	27,043	-	-	(27,043)	-	-
	20/04/2018	60.02	61.40	100,970	-	-	-	-	100,970
	26/07/2018	59.05	58.35	147,060	-	-	-	-	147,060
	29/03/2019	49.15	48.95	375,720	-	-	-	-	375,720
	09/07/2019	45.79	45.00	59,298	-	-	-	-	59,298
	25/03/2020	26.10	24.85	100,000	-	-	-	-	100,000
Sub-total				3,058,793	-	-	(601,185)	-	2,457,608
Total				4,694,677	-	-	(687,415)	-	4,007,262

No Share Options granted under 2010 Share Option Scheme were exercised or cancelled during the year ended 31 December 2025.

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).

DIRECTORS' REPORT

SHARE SCHEMES (CONTINUED)

2010 Share Option Scheme (continued)

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 2025 was the same as the number of outstanding Share Options, i.e. 4,007,262, representing approximately 0.62% of the Company's issued shares (excluding treasury shares, if any) as at 31 December 2025.

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 2025.

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 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 2025, the following persons, other than any Director or the chief executives 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%

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Note 1: As at 31 December 2025, 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. 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 2025, the total number of the issued shares of the Company was 645,561,354.

Save as mentioned above, as at 31 December 2025, 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 2025.

LOAN AND GUARANTEE

During the year ended 31 December 2025, 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 2025, 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 2025.

DIRECTORS' REPORT

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

There are 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 2025.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2025 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 2025 are set out in Note 39 to the consolidated financial statements, and the transactions as set out therein do not fall under "Connected Transactions" or "Continuing Connected Transactions" in accordance with Chapter 14A of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

The Borrowers also entered into an amendment and restatement agreement with the credit parties pursuant to which the Facilities Agreement was amended and restated after the utilization of the Refinancing Facilities and satisfaction of certain conditions (such amended and restated Facilities Agreement being the "**2022 Refinancing Facility Agreement**").

DIRECTORS' REPORT

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES (CONTINUED)

Under the terms of the 2022 Refinancing Facility Agreement, in the event that Mr. Luo Fei and his family members (collectively) cease to hold (directly or indirectly) beneficially the largest percentage of the issued voting share capital of the Company, all loan facilities made or to be made under the 2022 Refinancing Facility Agreement, will be cancelled and all outstanding principal, together with accrued interest, and all other amounts accrued under the finance documents, shall become immediately due and payable.

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

Under the terms of the 2024 June Refinancing Facility Agreement, in the event that Mr. Luo Fei and his family members (collectively) cease to hold (directly or indirectly) beneficially the largest percentage of the issued voting share capital of the Company, the facilities made or to be made under the 2024 June Refinancing Facility Agreement will be cancelled and all outstanding principal, together with accrued interest, and all other amounts accrued under the finance documents, shall become immediately due and payable.

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

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

Under the terms of the 2024 August Refinancing Facilities Agreement, in the event that Mr. Luo Fei and his family members (collectively) cease to hold (directly or indirectly) beneficially the largest percentage of the issued voting share capital of the Company, the facilities made or to be made under the 2024 August Refinancing Facilities Agreement will be cancelled and all outstanding principal, together with accrued interest, and all other amounts accrued under the finance documents, shall become immediately due and payable.

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

During the year ended 31 December 2025, 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 auditor.

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 2025 and the annual results for the year ended 31 December 2025, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2025 and the annual report for the year ended 31 December 2025, 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 auditor 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 auditor.

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 2025.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, (i) as at 31 December 2025, approximately 31.77% of the total issued Shares of the Company were held in public hands (as defined in the Listing Rules); and (ii) the Company 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 2025.

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 30 to 54 of this Annual Report.

DIRECTORS' 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 2025.

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 2025 have been audited by Ernst & Young who shall retire at the 2026 AGM. A resolution will be proposed at the 2026 AGM to re-appoint Ernst & Young as external auditor of the Company.

On behalf of the Board

Luo Fei
Chairman

Hong Kong, 24 March 2026

INDEPENDENT AUDITOR'S REPORT



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 86 to 201, which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025, 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**”), as applicable to audits of financial statements of public interest entities. We have also 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of goodwill and intangible assets with indefinite lives</i></p> <p>As at 31 December 2025, the Group recorded goodwill and intangible assets with indefinite lives of RMB7,620,614,000 and RMB4,224,678,000 respectively, which represented 39% and 22% of the total assets of the Group, respectively.</p> <p>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 2025. During the year, impairment losses of RMB92,712,000 were recognised in relation to the cash-generating unit under other paediatric products segment.</p> <p>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.</p> <p>The disclosures about impairment testing of goodwill and intangible assets with indefinite lives are included in note 16 to these financial statements.</p>	<p>The audit procedures we performed, among others, included the following:</p> <ul style="list-style-type: none">• 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Provision for impairment of inventories

As at 31 December 2025, the carrying amount of inventories was RMB1,968,079,000, after netting of the provision for impairment of RMB161,571,000. 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.

Accounting for uncertain tax position related to an ongoing tax audit

An Australian subsidiary of the Group had undergone a tax audit conducted by the Australian Tax Office ("ATO") on the intellectual property and other assets transfer transactions in 2018.

Estimating the outcome of the final tax position and the assessment as to whether a provision and the amount of such provision should be recognized are complex and judgmental, and the amounts involved would be material to the consolidated financial statements.

Relevant disclosures about the significant accounting judgement and estimates and the details about the tax review are included in note 3 and note 36 to the consolidated financial statements.

The audit procedures we performed, among others, included the following:

- involving our tax specialists in Australia to evaluate developments in the ongoing tax dispute, including the Group's tax obligations, if any;
- holding discussions with management (including management's specialists) and our tax specialists to understand the conclusion reached by the management and their rationale;
- with the assistance of our tax specialists, inspecting correspondence with the ATO and management's specialists to assess the reasonableness of managements conclusion on whether exposures are probable, contingent or remote;
- assessing the competence, capabilities and objectivity of management's specialists; and
- assessing the adequacy of the relevant disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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 HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSA's, 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

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

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 Hui Kin Fai, Stephen (practising certificate number: P04796).

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

24 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
REVENUE	5	14,353,571	13,051,708
Cost of sales		(5,389,858)	(5,136,196)
Gross profit		8,963,713	7,915,512
Other income and gains	5	62,478	162,559
Selling and distribution expenses		(6,229,135)	(5,569,618)
Administrative expenses		(837,323)	(779,384)
Other expenses		(465,994)	(588,626)
Finance costs	6	(909,943)	(920,611)
Share of losses of associates	18	(20,698)	(23,039)
PROFIT BEFORE TAX	7	563,098	196,793
Income tax expense	9	(366,958)	(250,514)
PROFIT/(LOSS) FOR THE YEAR		196,140	(53,721)
OTHER COMPREHENSIVE INCOME/LOSS			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		-	54,676
Reclassification adjustments for losses included in profit or loss		-	(55,426)
Income tax effect		-	(1,250)
		-	(2,000)
Hedges of net investments:			
Effective portion of changes in fair value of hedging instruments arising during the year		(29,341)	75,446
Exchange differences on translation of foreign operations		46,522	(138,117)
Exchange differences on net investments in foreign operations		100,585	(65,039)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		117,766	(129,710)
Other comprehensive income/(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		3,366	(12,089)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		121,132	(141,799)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		317,272	(195,520)
Profit/(loss) attributable to owners of the parent		196,140	(53,721)
Total comprehensive income/(loss) attributable to owners of the parent		317,272	(195,520)
		RMB	RMB
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		0.31	(0.08)
Diluted		0.31	(0.08)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	302,820	318,506
Right-of-use assets	13(a)	217,778	118,734
Goodwill	14	7,620,614	7,603,641
Intangible assets	15	5,063,903	5,295,021
Deposits	17	32,761	46,556
Investments in associates	18	91,213	111,911
Deferred tax assets	30	546,752	530,681
Derivative financial instruments	27	40,470	20,567
Other non-current financial assets	19	190,858	174,164
Total non-current assets		14,107,169	14,219,781
CURRENT ASSETS			
Inventories	20	1,968,079	1,906,675
Trade and bills receivables	21	904,245	927,179
Prepayments, other receivables and other assets	22	697,673	177,215
Pledged deposits	23	17,357	7,652
Time deposits	23	40,000	–
Cash and cash equivalents	23	1,669,001	1,603,920
Total current assets		5,296,355	4,622,641
CURRENT LIABILITIES			
Trade and bills payables	24	1,007,982	907,383
Other payables and accruals	25	2,302,762	1,937,772
Contract liabilities	26	36,989	48,949
Derivative financial instruments	27	7,445	–
Interest-bearing bank loans and other borrowings	28	995,137	860,905
Lease liabilities	13(b)	29,548	26,532
Senior notes	29	83,656	2,247
Tax payable		151,919	88,581
Total current liabilities		4,615,438	3,872,369
NET CURRENT ASSETS		680,917	750,272

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
NET CURRENT ASSETS		680,917	750,272
TOTAL ASSETS LESS CURRENT LIABILITIES		14,788,086	14,970,053
NON-CURRENT LIABILITIES			
Senior notes	29	2,074,993	2,117,248
Interest-bearing bank loans and other borrowings	28	5,740,336	6,304,559
Lease liabilities	13(b)	127,255	48,351
Other payables and accruals	25	4,376	1,803
Derivative financial instruments	27	160,126	266
Deferred tax liabilities	30	690,138	684,455
Total non-current liabilities		8,797,224	9,156,682
Net assets		5,990,862	5,813,371
EQUITY			
Issued capital	31	5,519	5,519
Reserves	34	5,894,531	5,777,852
Proposed dividend	10	90,812	30,000
Total equity		5,990,862	5,813,371

Luo Fei
Director

Wang Yidong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

Notes	Issued capital	Share premium account*	Shares held for the share award schemes*	Share award	Share option reserve*	Share award reserve*	Exchange fluctuation reserve*	Other reserve*	Fair value reserve of financial assets through other comprehensive income*	Retained profits*	Proposed dividend	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	5,519	694,991	(37,680)	1,012	64,210	1,012	(517,440)	(1,217,025)	(79,987)	6,460,019	30,000	5,813,371
Profit for the year	-	-	-	-	-	-	-	-	-	196,140	-	196,140
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	-	-	-	-	-	-	-	-	3,366	-	-	3,366
Hedges of net investments	-	-	-	-	-	-	(29,341)	-	-	-	-	(29,341)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	46,522	-	-	-	-	46,522
Exchange differences on net investments in foreign operations	-	-	-	-	-	-	100,585	-	-	-	-	100,585
Total comprehensive income for the year	-	-	-	-	-	-	117,766	-	3,366	196,140	-	317,272
Equity-settled share award arrangements	33	-	4,451	(1,012)	-	-	-	-	-	(3,097)	-	342
Equity-settled share option arrangements	32	-	-	-	777	-	-	-	-	-	-	777
Transfer of share option reserve upon the forfeiture or expiry of share options	32	-	-	-	(5,476)	-	-	-	-	5,476	-	-
Final 2024 and interim 2025 dividends declared	10	-	-	-	-	-	-	-	-	(110,900)	(30,000)	(140,900)
Proposed final 2025 dividend	10	-	-	-	-	-	-	-	-	(90,812)	90,812	-
At 31 December 2025	5,519	694,991	(33,229)	-	59,511	95	(399,674)	(1,217,025)	(76,621)	6,456,826	90,812	5,990,862

* These reserve accounts comprise the consolidated reserves of RMB5,894,531,000 (2024: RMB5,777,852,000) in the consolidated statement of financial position as at 31 December 2025.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Notes	Issued capital	Share premium account*	Shares held for the share award schemes*	Contributed surplus*	Capital surplus*	Statutory reserve*	Share option reserve*	Share award reserve*	Exchange fluctuation reserve*	Other reserve*	Cash flow hedge reserve*	Fair value reserve of financial assets through other comprehensive income*	Retained profits*	Proposed dividend	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024		5,519	694,991	(45,303)	26,992	95	382,665	78,505	16,208	(889,730)	(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)	-	-	-	(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	33	-	-	7,623	-	-	-	-	(15,196)	-	-	-	-	3,281	-	(4,292)
Transfer of share option reserve upon the forfeiture or expiry of share options	32	-	-	-	-	-	-	(14,295)	-	-	-	-	-	14,295	-	-
Final 2023 and interim 2024 dividends declared	10	-	-	-	-	-	-	-	-	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		563,098	196,793
Adjustments for:			
Bank interest income	5	(11,623)	(12,639)
Finance costs	6	909,943	920,611
Share of losses of associates	18	20,698	23,039
Depreciation of property, plant and equipment	7	64,388	69,352
Depreciation of right-of-use assets	7	46,431	37,848
Amortisation of intangible assets	7	200,383	193,792
Loss on disposal of items of property, plant and equipment and intangible assets	7	3,304	4,510
Gains on revision of lease term or early termination of leases	7	(210)	(32)
Impairment of goodwill	7	–	108,343
Impairment of intangible assets	7	106,501	15,657
Impairment of trade receivables	7	11,271	3,906
Impairment of other receivables	7	–	2,758
Write-down of inventories to net realisable value	7	295,745	247,284
Equity-settled share option expense	7	777	–
Equity-settled/(reversal of equity-settled) share award expense	7	342	(4,292)
Fair value losses/(gains) on derivative financial instruments, net	7	82,071	(50,890)
Fair value losses on other non-current financial assets	7	1,634	13,040
Foreign exchange losses, net	7	17,409	176,791
		2,312,162	1,945,871
(Increase)/decrease in inventories		(374,076)	195,924
Decrease in trade and bills receivables		9,309	100,324
(Increase)/decrease in prepayments, other receivables and other assets		(564,264)	55,519
Increase in rental deposits		(4,008)	(8,867)
Placement of restricted deposits		(9,705)	(160)
Increase/(decrease) in trade and bills payables		83,677	(146,478)
Increase/(decrease) in other payables and accruals		368,285	(305,973)
Decrease in contract liabilities		(16,260)	(160,258)
Cash generated from operations		1,805,120	1,675,902
Corporate income tax paid		(268,310)	(329,479)
Net cash flows from operating activities		1,536,810	1,346,423

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Net cash flows from operating activities		1,536,810	1,346,423
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(48,505)	(56,658)
Proceeds from disposal of items of property, plant and equipment and intangible assets		–	11,190
Additions to intangible assets		(45,852)	(40,650)
Addition to other non-current financial assets		(3,975)	(2,101)
Receipt of bonds receivable		–	78,592
Placement of time deposits with original maturity of three months or more when acquired		(40,000)	–
Interest received		11,525	10,522
Net cash flows (used in)/from investing activities		(126,807)	895
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes	29	2,111,651	906,794
Payment of transaction costs for issue of senior notes		(23,846)	(43,228)
Repurchase and redemption of senior notes	29	(2,334,058)	(454,865)
New guaranteed bonds and bank loans		744,788	3,330,048
Payment of transaction costs for issue of guaranteed bonds and bank loans		(7,624)	(233,412)
Repayment of interest-bearing bank loans and repurchase of guaranteed bonds		(1,166,741)	(3,636,709)
Payment of lease liabilities	13(b)	(49,232)	(53,499)
Interest paid		(537,236)	(706,138)
Proceeds from certain Swaps (as defined in note 27)		37,592	69,611
Proceeds from the termination of certain Swaps		13,255	32,307
Dividends paid		(141,456)	(281,908)
Net cash flows used in financing activities		(1,352,907)	(1,070,999)
NET INCREASE IN CASH AND CASH EQUIVALENTS		57,096	276,319
Cash and cash equivalents at beginning of year		1,603,920	1,364,283
Effect of foreign exchange rate changes, net		7,985	(36,682)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,669,001	1,603,920
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	1,669,001	1,603,920

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 ”)*# ⁵	The People’s Republic of China (“ PRC ”)/ Chinese mainland	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 ”)*# ⁵	PRC/Chinese mainland	USD34,100,000	100%	–	Research, development, manufacture and sale of health products and special nutritional foods
Dodie Baby Products Inc. (Guangzhou)*	PRC/Chinese mainland	USD1,000,000	100%	–	Wholesale, retail and import and export of personal care products for infants
Biostime (Changsha) Nutrition Foods Limited (“ Biostime Changsha ”)*#	PRC/Chinese mainland	RMB301,664,588	–	100%	Manufacture of infant formula products
Guangzhou Hapai Information Technology Co., Ltd. (“ Guangzhou Hapai ”)*	PRC/Chinese mainland	USD10,000,000	–	100%	Provision of software and information technology services

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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-commerce ")	PRC/Chinese mainland	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, trading and sales
Health & Happiness France	France	EUR2,224,912	–	100%	Trading and sale of baby care products, organic baby food, infant milk formula, and vitamins and health 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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 and health supplements for adults and pets
Health and Happiness (H&H) UK Limited ^{ö#}	United Kingdom	GBP4,646,559	–	100%	Trading and sale of skin care, vitamins and health supplements for adults and pets
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/Chinese mainland	RMB18,500,000	–	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 ("Zesty Paws") ^{ö#}	America	USD20,498,861	–	100%	Trading and sale of nutritional supplements for pets
Biostime Pharma	France	EUR13,206,000	100%	–	Research and development of nutritional products

NOTES TO FINANCIAL STATEMENTS

31 December 2025

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Swisse Wellness Pty Ltd ^{o#}	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
SW 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
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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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	
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 wholly-foreign-owned enterprises under the laws of the PRC.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards, which include International Financial Reporting Standards, 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 2025. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures

The Group has adopted amendments to IAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

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. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the IASB has issued amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding IFRS Accounting Standards. These examples reflect existing requirements in the corresponding IFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions. The Group has considered the guidance in these illustrative examples and assessed that there was no impact on the Group's financial statements.

2.3 Issued but not yet effective IFRS Accounting Standards

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

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

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

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.

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. IFRS 19 was amended in 2025 to (i) remove disclosure objectives from IFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to IFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of IFRS 19 and its amendments in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

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

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the “own-use” requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity’s financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation’s comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Fair value measurement (continued)

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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	5%
Plant and machinery	9% to 33.3%
Furniture, fixtures and office equipment	12.5% to 33.3%
Motor vehicles	18%
Leasehold improvements	25% to 33.3%

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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
Direct to Consumer e-commerce platform (" D2C E-commerce Platform ")	10
Unpatented product formula	15
Product registrations	3-14
Computer software and others	3-10

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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	1.4-10
Plant and machinery	2-5
Vehicles and office equipment	1.4-4
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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 equipment that is 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

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.

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

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 a change in the terms of the contract that significantly modifies the cash flows.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

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).

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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

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.

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 and other borrowings.

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group's normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Financial liabilities (continued)

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 and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

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 32 and 33 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Share-based payments (continued)

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Foreign currencies (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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)

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 income and gains for the year would have been increased by RMB100,585,000 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.

The Group has tax losses of RMB1,089,428,000 (2024: RMB1,972,542,000) 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 RMB200,368,000 (2024: RMB430,900,000). Further details on deferred taxes are disclosed in note 30 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties

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

Variable consideration for returns and sales rebates

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

The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data of each product to 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 2025, the amount recognised as refund liabilities included in other payables and accruals was RMB609,053,000 (2024: RMB555,395,000) for the expected returns and sales rebates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to the financial statements. During the year, no impairment of goodwill (2024: RMB108,343,000) was charged to profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties (continued)

Impairment of intangible assets with indefinite useful lives

The Group determines whether intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the intangible assets with indefinite useful lives. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the trademarks, brand names and distribution rights and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to these financial statements. During the year, an impairment of trademark and brand names of RMB92,712,000 (2024: RMB15,657,000) 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 and note 15 to the financial statements, respectively.

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 2025, the carrying amount of inventories was approximately RMB1,968,079,000 (2024: RMB1,906,675,000) after netting off the allowance for inventories of approximately RMB161,571,000 (2024: RMB273,939,000).

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 19 and note 27 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 paediatric probiotic and kids nutritional supplements segment comprises the production and sale of probiotic supplements and nutrition supplements in the form of powder, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the year ended 31 December 2025:

	Infant formulas RMB'000	Paediatric probiotic and kids 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	4,215,817	837,337	6,946,375	204,182	2,149,860	-	14,353,571
Segment results	2,323,248	614,000	4,719,149	78,439	1,228,877	-	8,963,713
Reconciliations:							
Interest income							11,623
Other income and unallocated gains							50,855
Share of losses of associates							(20,698)
Corporate and other unallocated expenses							(7,532,452)
Finance costs							(909,943)
Profit before tax							563,098
Other segment information:							
Depreciation and amortisation	23,969	3,443	79,246	9,553	84,912	110,079	311,202
Impairment of trade receivables	-	-	2,107	9,164	-	-	11,271
Write-down of inventories to net realisable value	162,560	49,891	60,164	5,285	17,845	-	295,745
Impairment of goodwill and intangible assets	-	-	-	106,501	-	-	106,501
Capital expenditure*	16,701	3,868	26,347	7,809	11,998	20,370	87,093

NOTES TO FINANCIAL STATEMENTS

31 December 2025

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the year ended 31 December 2024:

	Infant formulas RMB'000	Paediatric probiotic and kids 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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2025 RMB'000	2024 RMB'000
Chinese mainland	10,201,467	8,685,410
Australia and New Zealand	1,574,056	2,012,705
North America	1,747,740	1,621,676
Other locations*	830,308	731,917
Total revenue	14,353,571	13,051,708

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

(b) Non-current assets

	2025 RMB'000	2024 RMB'000
Chinese mainland	88,809	104,247
Australia and New Zealand	2,207,611	2,119,545
North America	2,329,894	2,460,366
Other locations*	1,082,161	1,206,570
Total non-current assets	5,708,475	5,890,728

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 2025 and 2024, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of the revenue is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers		
Sale of goods	14,353,571	13,051,708

(i) Disaggregated revenue information

For the year ended 31 December 2025

Segments	Infant formulas RMB'000	Paediatric probiotic and kids 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						
Chinese mainland	4,091,305	821,961	4,911,712	837	375,652	10,201,467
Australia and New Zealand	18,523	2,218	1,553,182	-	133	1,574,056
North America	-	1,317	24,825	13	1,721,585	1,747,740
Other locations*	105,989	11,841	456,656	203,332	52,490	830,308
Total	4,215,817	837,337	6,946,375	204,182	2,149,860	14,353,571
Timing of revenue recognition						
Goods transferred at a point in time	4,215,817	837,337	6,946,375	204,182	2,149,860	14,353,571

NOTES TO FINANCIAL STATEMENTS

31 December 2025

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2024

Segments	Infant formulas RMB'000	Paediatric probiotic and kids 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						
Chinese mainland	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

* 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:

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	48,949	200,461

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 the Chinese mainland except in limited circumstances for credit sales. Credit sales are usually allowed for customers outside the Chinese mainland 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

	2025 RMB'000	2024 RMB'000
Bank interest income	11,623	12,639
Fair value gains on derivative financial instruments (note 7)	–	50,890
Government subsidies*	1,268	3,429
Gains from sales of raw materials	23,598	70,933
Gains from sale of scraps	3,754	2,136
Gains on revision of lease term or early termination of leases	210	32
Interest income from investment in Isigny Sainte Mère ("ISM")	5,595	7,932
Others	16,430	14,568
Total other income and gains	62,478	162,559

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

6. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on interest-bearing bank loans and senior notes	676,907	863,414
Interest on lease liabilities (note 13(b))	8,643	6,454
Premium paid for partial repurchase of senior notes (note 29)	224,393	1,555
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)
Loss from repurchase of guaranteed bonds	–	2,547
Total	909,943	920,611

NOTES TO FINANCIAL STATEMENTS

31 December 2025

7. PROFIT BEFORE TAX

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

	Notes	2025 RMB'000	2024 RMB'000
Cost of inventories sold		5,094,113	4,888,912
Depreciation of property, plant and equipment	12	64,388	69,352
Depreciation of right-of-use assets	13(a)	46,431	37,848
Amortisation of intangible assets	15	200,383	193,792
Auditor's remuneration		8,559	8,534
Research and development costs**		216,200	242,982
Lease payments not included in the measurement of lease liabilities	13(c)	5,945	6,897
Gains on revision of a lease term or early termination of leases*	13(c)	(210)	(32)
Loss on disposal of items of property, plant and equipment and intangible assets**		3,304	4,510
Employee benefit expenses (including directors' and chief executive's remuneration) (note 8(a)):			
Wages and salaries		1,085,242	1,026,628
Pension scheme contributions (defined contribution schemes)		163,261	162,293
Staff welfare and other expenses		67,091	66,204
Equity-settled share option expense	32	777	–
Equity-settled/(reversal of equity-settled) share award expense	33	342	(4,292)
Total		1,316,713	1,250,833
Foreign exchange loss, net**		17,409	176,791
Fair value loss/(gains) on derivative financial instruments, net	5	82,071**	(50,890)*
Fair value loss on other non-current financial assets**		1,634	13,040
Impairment of goodwill**	14	–	108,343
Impairment of intangible assets**	15	106,501	15,657
Impairment of trade receivables**	21	11,271	3,906
Impairment of other receivables**		–	2,758
Write-down of inventories to net realisable value#		295,745	247,284
Premium paid for repurchase or redemption of senior notes###	29	224,393	1,555
Amortised gain of interest rate hedge in relation to previous term loan###	6	–	(1,761)

* 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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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:

	2025 RMB'000	2024 RMB'000
Fees	7,564	7,519
Other emoluments:		
Salaries, allowances and benefits in kind	19,970	21,067
Performance-related bonuses	8,860	14,839
Equity-settled share option expense	315	–
Equity-settled/(reversal of equity-settled) share award expense	342	(2,194)
Pension scheme contributions	515	406
Subtotal	30,002	34,118
Total fees and other emoluments	37,566	41,637

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 32 and 33 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 2025 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance- related bonuses RMB'000	Equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2025							
Directors:							
Executive directors:							
Mr. Luo Fei ("Mr. Luo")	793	2,508	-	-	-	24	3,325
Mr. Wang Yidong ("Mr. Wang")	793	6,810	3,012	83	-	220	10,918
Subtotal	1,586	9,318	3,012	83	-	244	14,243
Non-executive directors:							
Mrs. Laetitia Albertini	1,221	-	-	-	112	-	1,333
Mr. Luo Yun	793	-	-	-	-	-	793
Ms. Mingshu Zhao Wiggins	793	-	-	-	93	-	886
Dr. Zhang Wen Hui	793	-	-	-	-	-	793
Subtotal	3,600	-	-	-	205	-	3,805
Independent non-executive directors:							
Mr. Tan Wee Seng	793	-	-	-	40	-	833
Mrs. Lok Lau Yin Ching	793	-	-	-	40	-	833
Professor Ding Yuan	793	-	-	-	57	-	850
Subtotal	2,379	-	-	-	137	-	2,516
Total	7,565	9,318	3,012	83	342	244	20,564
Chief executive:							
Chief executive officer ("CEO")							
Office arrangement (note)	1,585	19,970	8,860	315	-	515	31,245
DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION							
Total*	7,564	19,970	8,860	315	342	515	37,566

* 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 RMB14,243,000 for the years ended 31 December 2025 (2024: RMB16,353,000) was excluded in the disclosure of the total amount for the directors' and chief executive's remuneration.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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)	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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(a) Directors' and chief executive's remuneration (continued)

Note:

The Board has established a permanent governance body, the CEO Office, to assume the role and responsibilities of the CEO commencing from 1 December 2023. The CEO Office focuses on the Company's business development, strategy execution, and daily management and operations generally and reports to the chairman of the Board.

The CEO Office comprise (i) the rotating CEO, the position of which will be sequentially taken by regional CEO of North America and Europe, regional CEO of Asia, Australia and New Zealand, and regional CEO of China, who will act as the CEO of the Group by rotation (in the abovementioned order) for a term of 9 months each commencing on 1 December 2023; and (ii) as standing members, the Group's chief financial and operating officer, the Group's chief people officer and the chairman of the Board.

Mr. Nick Mann, regional CEO of Asia, Australia and New Zealand served as the rotating CEO since October 2024 to June 2025 for a term of 9 months and from July 2025, Ms. Li Fengting, regional CEO for China took Mr. Nick Mann place as CEO of the Group for a period of nine months. The members comprising the CEO Office include the standing members, 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 2025 and 31 December 2024, is disclosed above.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 (2024: one) director, details of whose remuneration are set out in note 8(a) above. Details of the remuneration for the year of the remaining four (2024: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	19,703	17,910
Performance-related bonuses	9,397	15,607
Reversal of equity-settled share option expense	(303)	–
Reversal of equity-settled share award expense	–	(2,925)
Pension scheme contributions	1,052	385
Total	29,849	30,977

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	
	2025	2024
HKD6,500,001 to HKD7,000,000	–	2
HKD7,000,001 to HKD7,500,000	1	–
HKD7,500,001 to HKD8,000,000	1	–
HKD8,000,001 to HKD8,500,000	1	–
HKD9,500,001 to HKD10,000,000	1	1
HKD10,000,001 to HKD10,500,000	–	1
Total	4	4

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 32 and 33 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

9. INCOME TAX

	2025 RMB'000	2024 RMB'000
Current		
– Charge for the year		
Chinese mainland	149,119	64,555
Hong Kong	115,196	86,677
Australia	126,105	108,993
Elsewhere	4,440	3,052
– Over provision in the prior year	(7,258)	(2,578)
Deferred (note 30)	(20,644)	(10,185)
Total	366,958	250,514

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 the Chinese mainland has been calculated at the rate of 25% (2024: 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 the Chinese mainland, were recognised as high-technology enterprise in December 2025 and 2023, respectively, and are subject to EIT at a rate of 15% for three years from 2025 to 2027 and from 2023 to 2025, respectively. Under Guokefahuo [2016] No. 32 (“**Circular 32**”), Guangzhou Hapai and Biostime Health were subject to EIT at a rate of 15% for the years ended 31 December 2025 and 2024.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 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 (2024: HKD2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

NOTES TO FINANCIAL STATEMENTS

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9. INCOME TAX (CONTINUED)

Australia corporate income tax

Australia corporate income tax has been provided at the rate of 30% (2024: 30%) on the estimated assessable profits arising in Australia.

Tax consolidation legislation

Biostime Healthy Australia Pty Ltd. ("**Biostime Healthy Australia**"), its wholly-owned Australian subsidiaries and eligible Tier 1 fellow subsidiaries have elected to form an income tax multiple entry consolidated ("**MEC**") group, for Australian income tax purposes.

In an income tax MEC group, Biostime Healthy Australia, its wholly-owned subsidiaries and eligible Tier 1 fellow subsidiaries within the income tax MEC group account for their own current and deferred tax amounts. These income tax amounts are measured as if each entity in the income tax MEC group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Biostime Healthy Australia also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries within the income tax MEC group.

The entities have also entered into a tax funding arrangement under which the wholly-owned entities fully compensate Biostime Healthy Australia for any current tax payable assumed and are compensated by Biostime Healthy Australia for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Biostime Healthy Australia under the income tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding arrangement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

NOTES TO FINANCIAL STATEMENTS

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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:

	2025 RMB'000	2024 RMB'000
Profit before tax	563,098	196,793
Tax at the applicable PRC enterprise income tax rate	140,775	49,198
Overseas tax differences	36,236	32,280
Tax effects on preferential tax rates	(13,688)	(12,897)
Expenses not deductible for tax	214,635	207,642
Tax incentive on eligible expenses	(12,050)	(9,862)
Tax losses utilised from previous periods	(2,575)	(4,793)
Income not subject to tax	(41,739)	(66,748)
Tax losses not recognised	28,122	37,495
Adjustment in respect of deferred tax of previous periods	–	10,501
Adjustment in respect of current tax of previous periods	(7,258)	(2,578)
Effect of withholding tax at 5% (2024: 5%) on the distributable profits of the Group's subsidiaries in Chinese mainland	24,500	10,276
Tax charge at the Group's effective rate	366,958	250,514

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.

NOTES TO FINANCIAL STATEMENTS

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10. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Dividends on ordinary shares declared and paid during the year:		
Interim – HKD0.19 (2024: HKD0.30) per ordinary share	111,181	175,861
Proposal final – HKD0.16 (2024: HKD0.05) per ordinary share	90,812	30,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 641,720,890 (2024: 641,275,361) outstanding during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2025 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 earnings/(loss) per share are based on:

	2025 RMB'000	2024 RMB'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	196,140	(53,721)

	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	(3,840,464)	(4,285,993)
Adjusted weighted average number of ordinary shares outstanding used in the basic earnings/(loss) per share calculation	641,720,890	641,275,361
Effect of dilution – weighted average number of ordinary shares:		
Share options and awarded shares	57,846	–
Adjusted weighted average number of ordinary shares outstanding used in the diluted earnings/(loss) per share calculation	641,778,736	641,275,361

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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 2025	267,385	384,521	100,367	9,527	125,780	20,197	907,777
Additions	-	8,706	3,759	25	4,975	30,690	48,155
Disposals	-	(58,436)	(5,559)	(299)	(295)	(866)	(65,455)
Transfers	-	14,854	2,626	-	8,698	(26,178)	-
Exchange realignment	-	6,133	909	24	883	1,090	9,039
At 31 December 2025	267,385	355,778	102,102	9,277	140,041	24,933	899,516
Accumulated depreciation and impairment:							
At 1 January 2025	123,243	285,611	81,701	7,408	91,308	-	589,271
Depreciation provided during the year (note 7)	12,617	33,606	6,112	697	11,356	-	64,388
Disposals	-	(56,930)	(5,168)	(269)	(32)	-	(62,399)
Exchange realignment	-	4,183	790	20	443	-	5,436
At 31 December 2025	135,860	266,470	83,435	7,856	103,075	-	596,696
Net carrying amount:							
At 31 December 2025	131,525	89,308	18,667	1,421	36,966	24,933	302,820

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 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

NOTES TO FINANCIAL STATEMENTS

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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 1.4 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 1.4 and 4 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 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 and 1 January 2025	50,390	66,049	789	1,506	-	118,734
Additions	-	87,099	24,717	2,597	-	114,413
Early termination of leases	-	(1,886)	-	-	-	(1,886)
Revision of a lease term arising from a change in the non-cancellable period of a lease	-	32,260	-	-	-	32,260
Depreciation charge (note 7)	(1,491)	(37,272)	(5,618)	(2,050)	-	(46,431)
Exchange realignment	-	517	22	149	-	688
As at 31 December 2025	48,899	146,767	19,910	2,202	-	217,778

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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:

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	74,883	107,058
New leases	89,696	9,250
Early termination of leases	(2,096)	(690)
Revision of a lease term arising from a change in the non-cancellable period of a lease	32,260	9,048
Accretion of interest recognised during the year (note 6)	8,643	6,454
Payments	(49,232)	(53,499)
Exchange realignment	2,649	(2,738)
Carrying amount at 31 December	156,803	74,883
Analysed into:		
Current portion	29,548	26,532
Non-current portion	127,255	48,351

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities (note 6)	8,643	6,454
Depreciation charge of right-of-use assets (note 7)	46,431	37,848
Gains on revision of a lease term and early termination of leases (note 7)	(210)	(32)
Expense relating to short-term leases and leases of low-value assets (note 7)	5,945	6,897
Total amount recognised in profit or loss	60,809	51,167

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 35(c), respectively, to the financial statements.

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14. GOODWILL

	2025 RMB'000	2024 RMB'000
At 1 January		
Cost	7,960,300	8,071,122
Accumulated impairment	(356,659)	(250,600)
Net carrying amount	7,603,641	7,820,522
Cost at 1 January, net of accumulated impairment	7,603,641	7,820,522
Impairment during the year (note 7)	–	(108,343)
Exchange realignment	16,973	(108,538)
At 31 December	7,620,614	7,603,641
At 31 December		
Cost	7,997,655	7,960,300
Accumulated impairment	(377,041)	(356,659)
Net carrying amount	7,620,614	7,603,641

Impairment testing of goodwill

During the year ended 31 December 2025, no impairment loss was provided. During the year ended 31 December 2024, impairment losses of RMB108,343,000 were provided on two CGUs under the other paediatric products segment.

Details of the impairment testing of goodwill have been set out in note 16 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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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 2025	3,794,220	223,294	1,744,270	32,721	60,299	556,512	42,336	194,828	6,648,480
Additions	193	-	-	-	6,539	-	3,959	28,247	38,938
Disposal	(248)	-	-	-	-	-	-	(197)	(445)
Exchange realignment	36,413	4,835	20,942	(5,937)	2,655	-	(302)	3,372	61,978
At 31 December 2025	3,830,578	228,129	1,765,212	26,784	69,493	556,512	45,993	226,250	6,748,951
Accumulated amortisation and impairment:									
At 1 January 2025	64,711	113,939	976,381	32,721	39,471	-	12,788	113,448	1,353,459
Amortisation provided during the year (note 7)	-	14,089	138,292	-	5,294	-	8,339	34,369	200,383
Impairment during the year* (note 7)	92,712	-	13,789	-	-	-	-	-	106,501
Disposal	-	-	-	-	-	-	-	(197)	(197)
Exchange realignment	4,989	2,167	19,400	(5,937)	1,759	-	(254)	2,778	24,902
At 31 December 2025	162,412	130,195	1,147,862	26,784	46,524	-	20,873	150,398	1,685,048
Net carrying amount:									
At 31 December 2025	3,668,166	97,934	617,350	-	22,969	556,512	25,120	75,852	5,063,903

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 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

* 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 2025 and 2024, these intangible assets with indefinite useful lives were tested for impairment (note 16).

As at 31 December 2025, based on the recoverable amount of nil under the value in use calculation, impairment losses amounting to RMB92,712,000 and RMB13,789,000 were recognised on the trademark and brand name and the customer relationships of Good Gout™, respectively, (2024: impairment losses amounting to RMB15,657,000 was recognised on the trademark and brand name of Dodie™), 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.

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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:

	2025		2024	
	Goodwill RMB'000	Intangible assets with indefinite useful lives RMB'000	Goodwill RMB'000	Intangible assets with indefinite useful lives RMB'000
Infant formulas				
– Healthy Times™	43,103	34,120	44,083	34,633
– Farmland	72,882	–	70,050	–
	115,985	34,120	114,133	34,633
Adult nutrition and care products				
– Swisse™	4,884,841	1,756,277	4,810,235	1,688,038
– Swisse™ distribution right	–	556,512	–	556,512
	4,884,841	2,312,789	4,810,235	2,244,550
Other paediatric products				
– Good Gout™	–	–	–	86,433
	–	–	–	86,433
Pet nutrition and care products				
– Solid Gold™	431,005	389,571	440,791	398,374
– Zesty Paws™	2,188,783	1,488,198	2,238,482	1,522,031
	2,619,788	1,877,769	2,679,273	1,920,405
	7,620,614	4,224,678	7,603,641	4,286,021

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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	
	2025	2024	2025	2024
Infant formulas	16.4%-23.5%	16.4%-20.6%	2.0%	2.0%-2.2%
Adult nutrition and care products	14.0%-14.6%	14.2%-14.6%	2.0%-3.2%	2.2%-2.7%
Other paediatric products	11.2%	11.2%-12.7%	2.0%	2.0%
Pet nutrition and care products	9.5%-11.3%	9.4%-11.1%	2.0%-2.3%	2.0%-2.3%

Assumptions were used in the value in use calculation of each CGU as at 31 December 2025 and 2024. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and intangible assets with indefinite useful lives:

Forecast sales amounts – The forecast sales amounts are based on the historical sales data and market outlook perceived by management.

Forecast gross margins – The bases used to determine the values assigned to the forecast gross margins are the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant CGUs.

The values assigned to the key assumptions on market development of the CGUs, discount rates and raw materials purchase prices are consistent with external information sources.

In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

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16. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

Following the annual impairment testing, an impairment loss of RMB92,712,000 (2024: RMB124,000,000) 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	2025 RMB'000	2024 RMB'000
Good Gout™	(a)	Other paediatric products	92,712	47,981
Dodie™	(b)	Other paediatric products	-	76,019
			92,712	124,000

Notes:

- (a) As at 31 December 2025, based on the recoverable amount of nil (2024: RMB95,797,000) under the value in use calculation, an impairment loss amounting to RMB92,712,000 (2024: RMB47,981,000) was recognised on the relevant goodwill and intangible assets with indefinite lives (2024: goodwill) of Good Gout™, which arose from the expected decline in the market demand. Good Gout™ was acquired in 2018 and was engaged in marketing and distribution of baby food products.
- (b) 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 lives of Dodie™, which arose from the expected decline in the market demand.

17. DEPOSITS

	2025 RMB'000	2024 RMB'000
Deposits paid for purchase of items of property, plant and equipment	284	25,001
Deposits paid for purchase of intangible assets	11,885	4,971
Rental deposits	20,592	16,584
Total	32,761	46,556

18. INVESTMENTS IN ASSOCIATES

	2025 RMB'000	2024 RMB'000
Share of net assets (including goodwill)	91,213	111,911

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18. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group's prepayment with an associate are disclosed in note 22 to the financial statements, respectively.

Particulars of the associates are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Hangzhou Coamie Personal Care Products Co., Ltd.	RMB 200,000,000	PRC/Chinese mainland	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:

	2025 RMB'000	2024 RMB'000
Share of the associates' losses for the year	(20,698)	(23,039)
Share of the associates' total comprehensive losses	(20,698)	(23,039)
Aggregate carrying amount of the Group's investments in the associates	91,213	111,911

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19. OTHER NON-CURRENT FINANCIAL ASSETS

	2025 RMB'000	2024 RMB'000
Financial assets at fair value through profit or loss:		
– Unlisted equity investments (note (a))	52,757	53,421
– Other unlisted investments (note (b))	131,345	117,353
Subtotal	184,102	170,774
Equity investments designated at fair value through other comprehensive income: (note (c))		
– Listed equity investments:		
BOD Australia Limited	–	1,607
Else Nutrition Holdings Limited	5,389	533
– Other unlisted investments	1,367	1,250
Subtotal	6,756	3,390
Total	190,858	174,164

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.

20. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	443,829	441,988
Goods in transit	442,433	318,500
Work in progress	710	188
Finished goods	1,081,107	1,145,999
Total	1,968,079	1,906,675

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21. TRADE AND BILLS RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	933,022	952,310
Less: Impairment provision	(28,777)	(25,395)
	904,245	926,915
Bills receivable	–	264
Net carrying amount	904,245	927,179

Advance payment is normally required for sales to customers in Chinese mainland except in limited circumstances for credit sales. Credit sales are usually allowed for customers outside Chinese mainland 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 Chinese mainland 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:

	2025 RMB'000	2024 RMB'000
Within 1 month	472,122	623,546
1 to 3 months	381,204	245,038
Over 3 months	50,919	58,595
Total	904,245	927,179

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of year	25,395	25,730
Impairment losses recognised (note 7)	11,271	3,906
Amount written off as uncollectible	(10,243)	(3,025)
Exchange realignment	2,354	(1,216)
At end of year	28,777	25,395

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

21. 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 2025

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	1.12%	6.13%	10.96%	21.97%	3.08%
Gross carrying amount (RMB'000)	762,870	75,025	47,670	47,457	933,022
Expected credit losses (RMB'000)	8,526	4,598	5,226	10,427	28,777

As at 31 December 2024

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
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

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Prepayments	118,655	59,164
ATO deposits (note 36)	487,895	–
Other deposits	3,262	1,743
Other receivables	79,919	92,899
Prepaid expenses	5,874	20,695
Right-of-return assets	2,068	2,714
Total	697,673	177,215

As at 31 December 2025, the balance due from the Group's associate included in the prepayments was RMB4,000 (2024: 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 2025 and 2024, the loss allowance was assessed to be minimal.

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23. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2025 RMB'000	2024 RMB'000
Cash and bank balances	1,649,001	1,603,920
Time deposits	60,000	–
Restricted deposits	17,357	7,652
Subtotal	1,726,358	1,611,572
Less:		
Restricted deposits for operating leases	(1,319)	(1,313)
Restricted deposits for bills issue	(1,150)	–
Restricted deposits for operating activity of a subsidiary	(14,888)	(6,339)
Non-pledged time deposit with original maturity of three months or more when acquired	(40,000)	–
Subtotal	(57,357)	(7,652)
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	1,669,001	1,603,920
Denominated in RMB (note)	813,855	532,136
Denominated in other currencies	912,503	1,079,436
Total	1,726,358	1,611,572

Note:

The RMB is not freely convertible into other currencies, however, under Chinese mainland'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.

NOTES TO FINANCIAL STATEMENTS

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24. TRADE AND BILLS PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	1,006,062	907,383
Bills payables	1,920	–
Total	1,007,982	907,383

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

	2025 RMB'000	2024 RMB'000
Within 1 month	841,635	775,760
1 to 3 months	134,390	85,340
Over 3 months	31,957	46,283
Total	1,007,982	907,383

The trade and bills payables are non-interest-bearing and are normally settled on 30-90 day terms.

25. OTHER PAYABLES AND ACCRUALS

	Notes	2025 RMB'000	2024 RMB'000
Salaries and welfare payables		214,687	175,346
Accruals		1,103,804	943,369
Other tax payables		53,210	42,105
Other payables	(a)	326,384	223,360
Refund liabilities	(b)	609,053	555,395
Total		2,307,138	1,939,575
Less: Current portion		(2,302,762)	(1,937,772)
Non-current portion		4,376	1,803

Notes:

- (a) Other payables are non-interest-bearing and have an average term of three months.
- (b) Details of refund liabilities are as follows:

	2025 RMB'000	2024 RMB'000
Sales rebate	598,116	542,621
Sales return	10,937	12,774
Total	609,053	555,395

NOTES TO FINANCIAL STATEMENTS

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26. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2025 RMB'000	31 December 2024 RMB'000	1 January 2024 RMB'000
Advances from customers	36,989	48,949	200,461

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.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2025		2024	
		Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Current					
Foreign currency forward contracts	(a)	–	7,445	–	–
Total		–	7,445	–	–
Non-current					
Early redemption option embedded in the senior notes	(b)	40,470	–	5,517	–
The Swaps (as defined below)					
– designated as hedge	(c)	–	37,407	11,332	266
– not designated as hedge	(c)	–	122,719	3,718	–
Total		40,470	160,126	20,567	266

Notes:

- (a) The Group has entered into various foreign currency forward contracts to manage its exchange rate exposures. These forward contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The fair value of the forward currency contracts as at 31 December 2025 was RMB7,445,000. A fair value loss of RMB13,672,000 was charged to profit or loss during the year.
- (b) An early redemption option is embedded in the senior notes, details of which are set out in note 29 to the financial statements. The fair value of the early redemption option as at 31 December 2025 was RMB40,470,000 (2024: RMB5,517,000). A fair value gain of RMB21,380,000 was charged to profit or loss for the year (2024: a loss of RMB14,917,000).
- (c) Hedges of net investments in foreign operations

As at 31 December 2025 and 31 December 2024, the Company had certain cross currency swap (the “Swaps”) to hedge its exposure of foreign currency risks arising from its investment in Chinese mainland. Under the Swaps, 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 Swaps 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 Swaps. 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 Swaps.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

27. 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 2025				
Swaps A	210,000	(37,407)	Derivative financial instruments assets	32,482
Swaps B	-	-	Derivative financial instruments assets	(64,732)
As at 31 December 2024				
Swaps A	179,800	10,252	Derivative financial instruments assets	46,944
Swaps B	30,050	814	Derivative financial instruments assets	(6,425)
Swaps C	-	-	Derivative financial instruments assets	21,299

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27. 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 hedge ineffectiveness RMB'000	Exchange fluctuation reserve RMB'000
As at 31 December 2025		
Net investments in foreign subsidiaries	32,248	(158,462)
As at 31 December 2024		
Net investments in foreign subsidiaries	75,516	(129,121)

During the year, in respect of the Swaps designated as hedging instruments, a net loss of RMB29,341,000 (2024: a net gain of RMB75,446,000) arising from the changes in fair value was included in exchange fluctuation reserve and a net gain of RMB1,889,000 (2024: RMB28,079,000) was recognised in profit or loss. For the Swaps not designated as hedging instruments, a net loss of RMB91,668,000 (2024: a net gain of RMB58,716,000) was recognised in profit or loss during the year.

NOTES TO FINANCIAL STATEMENTS

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28. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	31 December 2025			31 December 2024		
	Effective interest rate (%)**	Maturity	RMB'000	Effective interest rate (%)**	Maturity	RMB'000
Current						
Current portion of long term bank loan – unsecured	LPR+margin/ 5.27/4.17	2026	558,397	LPR+margin/ 5.27/4.17	2025	532,315
Current portion of long term bank loan – secured	HIBOR/ SOFR+margin/ 6.70	2026	183,318	HIBOR/ SOFR+margin/ 6.70	2025	320,026
Current portion of RMB500,000,000 7.5% guaranteed bonds	9.28	2026	8,634	9.28	2025	8,564
Other borrowings	1.3-2.0	2026	244,788	–	–	–
Total – current			995,137			860,905
Non-current						
Long term bank loans – unsecured	LPR+margin/ 4.17	2027-2028	1,270,000	LPR+margin/ 5.27/4.17	2026-2027	1,356,821
Long term bank loans – secured	HIBOR/ SOFR+margin/ 6.70	2027	4,068,160	HIBOR/ SOFR+margin/ 6.70	2026-2027	4,550,890
RMB500,000,000 7.5% guaranteed bonds	9.28	2027	402,176	9.28	2027	396,848
Total – non-current			5,740,336			6,304,559
Total			6,735,473			7,165,464

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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

	31 December 2025 RMB'000	31 December 2024 RMB'000
Analysed into:		
Bank loans repayable:		
within one year or on demand	741,715	852,341
in the second year	4,950,660	856,898
in the third to fifth years, inclusive	387,500	5,050,813
Subtotal	6,079,875	6,760,052
Other borrowings repayable:		
within one year or on demand	253,422	8,564
in the second year	402,176	–
in the third to fifth years, inclusive	–	396,848
Subtotal	655,598	405,412
Total	6,735,473	7,165,464

** HIBOR stands for the Hongkong InterBank Offered Rate
SOFR stands for the Secured Overnight Financing Rate
LPR stands for the Loan Prime Rate

Notes:

- (a) As at 31 December 2025 and 2024, certain of the Group's interest-bearing bank loans are guaranteed on a joint and several basis by the Company and certain of the Company's subsidiaries and are secured by fixed and floating charges over present and future assets of the Company and certain of its subsidiaries and assignments over the Company's and certain of its subsidiaries' rights to their material contracts and insurance policies. In addition, certain subsidiaries' shares are also pledged.
- (b) Certain of the Group's interest-bearing bank loans are subject to the fulfilment of certain covenants relating to limitations on indebtedness. The Company regularly monitors its compliance with these covenants.
- (c) Other borrowings represent proceeds received from the discounting of recourse letters of credit obtained by a subsidiary within the Group, amounting to RMB244,788,000 (2024: nil). These borrowings are repayable upon the maturity of the respective bills.
- (d) As at 31 December 2025, the Group's interest-bearing bank loans and other borrowings were denominated in USD, HKD and RMB at aggregate amounts of RMB2,192,636,000 (2024: RMB2,611,252,000), RMB992,111,000 (2024: RMB1,183,717,000) and RMB3,550,726,000 (2024: RMB3,370,495,000), respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

29. SENIOR NOTES

The Company issued senior notes due 26 June 2026 with principal amount of USD200,000,000 on 26 June 2023 and issued additional senior notes due 26 June 2026 with principal amount of USD120,200,000 on 12 April 2024, (together, the **"2026 Notes"**). The 2026 Notes carried a coupon interest rate of 13.5% per annum. As at 31 December 2024, the outstanding principal amount of the 2026 Notes was USD297,000,000, after the Company repurchased from the open market an aggregate principal amount of USD23,200,000 prior to 31 December 2024.

On 24 January 2025, the Company issued senior notes due 24 July 2028 with principal amount of USD300,000,000 and coupon interest rate of 9.125% per annum (the **"2028 Notes"**). The net proceeds from the issuance of the 2028 Notes were used to refinance the Company's existing indebtedness including funding the repayment of the 2026 Notes together with accrued interest. As at 31 December 2025, the 2026 Notes were repaid in full and the outstanding principal amount of the 2028 Notes was USD300,000,000.

The 2026 Notes and the 2028 Notes are (i) listed on The Stock Exchange of Hong Kong Limited, (ii) jointly and severally guaranteed, on a senior basis, by certain subsidiaries of the Company, and (iii) 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 do not secure the senior notes) and pledges/charges over shares of the initial subsidiary guarantors, H&H China and Biostime Health.

Both the 2026 Notes and the 2028 Notes contain certain 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 2025, the fair value of the early redemption option embedded in the senior notes amounted to RMB40,470,000 (31 December 2024: RMB5,517,000), details of which are set out in note 27(b) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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29. SENIOR NOTES (CONTINUED)

The movements of the senior notes during the years ended 31 December 2024 and 2025 are set out below:

	RMB'000
At 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 and 1 January 2025	2,119,495
Repurchase or redemption of senior notes	(2,334,058)
Premium paid for repurchase or redemption of senior notes (note 6)	224,393
Upon the completion of the issuance of senior notes	
Proceeds received	2,111,651
Transaction cost incurred	(25,812)
Early redemption option embedded in senior notes	14,297
Interest charged during the year	217,803
Interest paid during the year	(121,148)
Exchange realignment	(47,972)
At 31 December 2025	2,158,649
Less: Current portion	(83,656)
Non-current portion	2,074,993

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30. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2025 and 2024 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	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2025	40,521	359,447	33,988	270,812	13,428	75,847	794,043
(Charged)/credited to profit or loss for the year (note 9)	(25,394)	63,623	6,286	28,928	24,906	(29,192)	69,157
Exchange realignment	-	1,298	-	(4,714)	602	(213)	(3,027)
Gross deferred tax assets at 31 December 2025	15,127	424,368	40,274	295,026	38,936	46,442	860,173

	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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

30. DEFERRED TAX (CONTINUED)

The movements in deferred tax assets and liabilities during the years ended 31 December 2025 and 2024 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 2025	188,128	12,093	726,390	12,289	8,917	947,817
(Credited)/charged to profit or loss for the year (note 9)	(107,644)	14,991 [#]	113,560	24,421	3,185	48,513
Exchange realignment	(2,457)	–	9,103	565	18	7,229
Gross deferred tax liabilities at 31 December 2025	78,027	27,084	849,053	37,275	12,120	1,003,559

	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

[#] The amount represented a deferred tax provision of RMB24,500,000 (2024: RMB10,276,000) on the distributable profits of the Company's subsidiaries in Chinese mainland after offsetting the realised deferred tax liabilities of RMB9,509,000 (2024: RMB21,175,000) arising from dividends declared by these subsidiaries to their foreign investors during the year.

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30. DEFERRED TAX (CONTINUED)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position at 31 December	546,752	530,681
Net deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	(690,138)	(684,455)
Total	(143,386)	(153,774)

Deferred tax assets of RMB200,368,000 (2024: RMB430,900,000) 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 Chinese mainland 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.

31. SHARE CAPITAL

Shares

	2025	2024
Authorised:		
10,000,000,000 (2024: 10,000,000,000) ordinary shares of HKD0.01 each	HKD100,000,000	HKD100,000,000
Issued and fully paid:		
645,561,354 (2024: 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 2025 and 2024.

Share options

Details of the Company's share option schemes and the share options exercised under the schemes are included in note 32 to the financial statements.

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32. SHARE OPTION SCHEMES

There were two 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 prior to 2024.

The 2010 Share Option Scheme was terminated with effect from 8 May 2020 upon the adoption of the 2020 Share Option Scheme. The 2020 Share Option Scheme was terminated with effect from the adoption of a new share scheme on 10 May 2024 (the “**2024 Share Scheme**”). No further options shall be offered under these two terminated share option schemes but in all other respects the provisions of the two terminated share option schemes 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.

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 10 May 2024. The awards under the 2024 Share Scheme may be granted in the form of a share option or a share award.

(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 2025

	2010 Share Option Scheme		2020 Share Option Scheme		2024 Share Scheme		
	Weighted average exercise price HKD per share	Number of options '000	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 2025	31.34	4,695	31.79	1,762	-	-	6,457
Granted during the year	-	-	-	-	13.54	13,070	13,070
Expired during the year	23.40	(688)	31.18	(95)	-	-	(783)
At 31 December 2025	32.74	4,007	31.83	1,667	13.54	13,070	18,744

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32. SHARE OPTION SCHEMES (CONTINUED)

(i) Movements in share options (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are set out below: (continued)

31 December 2024

	2010 Share Option Scheme		2020 Share Option Scheme		Total number of options '000
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	
At 1 January 2024	29.86	6,208	31.78	2,016	8,224
Expired during the year	25.28	(1,513)	31.78	(254)	(1,767)
At 31 December 2024	31.34	4,695	31.79	1,762	6,457

No share options were exercised during the years ended 31 December 2025 and 2024, respectively.

Share option reserve of RMB5,476,000 related to the forfeited or expired shares that have been vested was transferred to retained profits during the year (2024: RMB14,295,000).

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32. SHARE OPTION SCHEMES (CONTINUED)

(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 and the 2024 Share Option Scheme as at 31 December 2025 and 2024 are as follows:

2010 Share Option Scheme

31 December 2025	31 December 2024	Exercise price*	Exercise period
Number of options	Number of options	HKD per share	
'000	'000		
–	274	15.58	1-4-19 to 1-4-25
–	36	21.05	1-4-19 to 1-4-25
–	15	20.92	1-4-19 to 1-4-25
–	19	23.30	1-4-19 to 1-4-25
–	57	25.75	1-4-19 to 1-4-25
250	250	25.75	1-4-20 to 1-4-26
–	24	22.15	1-4-19 to 1-4-25
2,724	2,960	29.25	1-4-21 to 1-4-27
–	27	47.10	1-4-19 to 1-4-25
101	101	60.02	1-4-21 to 1-4-27
147	147	59.05	1-4-21 to 1-4-27
76	76	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
4,007	4,695		

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32. SHARE OPTION SCHEMES (CONTINUED)

(ii) Outstanding share options (continued)

2020 Share Option Scheme

31 December 2025	31 December 2024			
Number of options	Number of options		Exercise price*	Exercise period
'000	'000		HKD per share	
1,567	1,585		31.88	1-4-22 to 1-4-28
100	177		31.02	1-4-22 to 1-4-28
1,667	1,762			

2024 Share Scheme

31 December 2025	31 December 2024			
Number of options	Number of options		Exercise price*	Exercise period
'000	'000		HKD per share	
13,070	–		13.54	23-12-25 to 23-12-35

* 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 2025, the share options outstanding under the 2010 Share Option Scheme, the 2020 Share Option Scheme and the 2024 Share 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. The exercise period for each share option granted under the 2010 Share Option Scheme, the 2020 Share Option Scheme and the 2024 Share Scheme is from six to ten years.

The exercise in full of the outstanding share options under the three share option schemes would, under the present capital structure of the Company, result in the issue of 18,744,000 additional ordinary shares of the Company and additional share capital of HKD187,000 (equivalent to approximately RMB169,000) and share premium of HKD359,842,000 (equivalent to approximately RMB325,017,000) (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 18,744,000 share options outstanding under the three share option schemes, which represented approximately 2.9% of the Company's shares in issue as at that date.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

32. 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. 13,070,000 share options were granted in the year ended 31 December 2025 (2024: nil).

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:

	2025		2024	
	Options granted to directors	Options granted to other employees	Options granted to directors	Options granted to other employees
Dividend yield (%)	2.52%	2.52%	–	–
Expected volatility (%)	48.30%	48.30%	–	–
Risk-free interest rate (%)	3.85%	3.85%	–	–

During the year, the Group recognised a share option expense related to the share option schemes of RMB777,000 (2024: nil).

33. 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 2025 and 2024, no ordinary shares were purchased on the open market of Stock Exchange for the 2022 Share Award Scheme.

NOTES TO FINANCIAL STATEMENTS

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33. 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:

Date of grant	Number of Outstanding Awarded Shares as at 31 December 2024	Shares newly granted during the year	Fair value HKD	Vesting date	Number of Awarded Shares		
					Vested during the year	Forfeited during the year	Outstanding Awarded Shares at 31 December 2025
2022/4/8	96,005	-	1,037,760	2025/4/1	(96,005)	-	-
2023/9/5	48,000	-	388,800	2025/4/1	(48,000)	-	-
2024/3/28	88,000	-	909,040	2025/4/1	(88,000)	-	-
	232,005	-	2,335,600		(232,005)	-	-

The Group recognised a share award expense of RMB342,000 during the year (2024: RMB4,292,000 reversed) in relation to the 2022 Share Award Scheme.

232,005 shares for the 2022 Share Award Scheme were awarded upon vesting during the year. The difference between the costs and the fair values of the vested Awarded Shares, amounting to RMB3,097,000, was transferred to retained profits during the year (2024: nil).

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.

NOTES TO FINANCIAL STATEMENTS

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34. 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 89 and 90 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 Coliving Holdings Limited (formerly named as 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.

35. 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 RMB121,956,000 (2024: RMB18,298,000) and RMB121,956,000 (2024: RMB18,298,000), respectively, in respect of lease arrangements for buildings, vehicles and office equipment.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

2025

	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 2025	266	7,165,464	2,119,495	74,883
Changes from financing cash flows	37,539	(838,041)	(367,401)	(49,232)
New leases	-	-	-	89,696
Revision of a lease term arising from a change in the non-cancellable period of a lease	-	-	-	32,260
Early termination of leases	-	-	-	(2,096)
Recognition of early redemption option embedded in senior notes	-	-	14,297	-
Total losses recognised in profit or loss	109,768	-	224,393	-
Change in other payable and accruals	-	-	(1,966)	-
Total gains recognised in other comprehensive income	27,690	-	-	-
Derecognition	(6,227)	-	-	-
Interest expense	-	459,104	217,803	8,643
Exchange realignment	(1,465)	(51,054)	(47,972)	2,649
At 31 December 2025	167,571	6,735,473	2,158,649	156,803

NOTES TO FINANCIAL STATEMENTS

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

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	–
Total (gains)/losses recognised in profit or loss	(29,981)	50,949	1,555	–
Change in other payable and accruals	–	(12,673)	(1,137)	–
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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

35. 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:

	2025 RMB'000	2024 RMB'000
Within operating activities	5,945	6,897
Within financing activities	49,232	53,499

36. CONTINGENT LIABILITIES

Biostime Healthy Australia Pty Ltd (“BHA”), a subsidiary of the Company, as a top 1,000 taxpayer in Australia, is subject to the Australian Tax Office’s (“ATO”) compliance programs. As disclosed in the Company’s Annual Report for the year ended 31 December 2024, BHA had undergone an ATO audit 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 (approximately RMB89 million) of tax under the Australian capital gains tax (CGT) rules.

Based on the conclusion of ATO audit above, on 10 April 2025, the ATO issued official notices of amended assessment requesting sum of (i) AUD234.5 million (approximately RMB1,099.6 million) of primary tax payable by BHA in respect of the year ended 31 December 2018; (ii) AUD55.2 million (approximately RMB258.8 million) of interest and (iii) AUD117.3 million (approximately RMB550.0 million) penalty payable by BHA, respectively.

On 2 June 2025, BHA formally objected to the ATO’s amended assessments to officially dispute these amounts (“Objection”). As of the date of the financial statements, the review of the Objection by ATO is still in progress. BHA and its representatives have actively engaged with the ATO to discuss technical areas of disagreement and other developments. According to general practice, an objection process would typically take approximately up to 18 months to reach a conclusion.

On 4 July 2025, the ATO and BHA entered into a payment arrangement in relation to the disputed tax amount above which BHA was required to pay a cash deposit for 50% of the aggregate tax debt (AUD104 million, approximately RMB487.9 million) in accordance with the ATO administrative practice for disputed tax debts. Consequently, such cash deposit was made on 15 July 2025 and recorded as deposits (see note 22) in the financial statements as at 31 December 2025. No further deposit is required until the conclusion of this matter.

BHA will continue to vigorously defend its position and is assisted by tax litigation lawyers and preeminent Counsel. Should the ATO disallow the Objection, BHA is prepared to initiate further legal proceedings. In the opinion of the directors, BHA does not consider that it is probable that there will be a final outflow of funds in relation to the tax matters in dispute. In the event that BHA is successful in the dispute, BHA will be entitled to a refund of the cash deposit paid plus interest.

37. PLEDGE OF ASSETS

Details of the Group's bank loans and senior notes, which are secured by the assets of the Group, are included in notes 28 and 29 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

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38. COMMITMENTS

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

	2025 RMB'000	2024 RMB'000
Intangible assets	9,068	3,415
Property, plant and equipment	4,383	5,675
Total	13,451	9,090

There were no other lease contracts that have not yet commenced as at 31 December 2025 and 2024.

39. RELATED PARTY BALANCES AND TRANSACTIONS

The Group had the following material transactions with related parties during the year:

(a) Related party transactions

During the year there was no transaction with an associate (2024: 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 22 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:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	38,538	51,993
Pension scheme contributions	1,198	668
Equity-settled share option expense	386	–
Reversal of equity-settled share award expense	–	(3,782)
Termination benefits	–	536
Total compensation paid to key management personnel	40,122	49,415

NOTES TO FINANCIAL STATEMENTS

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40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

2025

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 RMB'000
		Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	RMB'000	RMB'000	
Trade and bills receivables	21	-	-	-	904,245	904,245
Financial assets included in prepayments, other receivables and other assets		-	-	-	79,919	79,919
Derivative financial instruments	27	-	40,470	-	-	40,470
Restricted deposits	23	-	-	-	17,357	17,357
Cash and cash equivalents	23	-	-	-	1,669,001	1,669,001
Time deposit	23	-	-	-	60,000	60,000
Other non-current financial assets	19	52,757	131,345	6,756	-	190,858
Total		52,757	171,815	6,756	2,730,522	2,961,850

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total RMB'000
		RMB'000	RMB'000	
Trade and bills payables	24	-	1,007,982	1,007,982
Financial liabilities included in other payables and accruals		-	1,430,188	1,430,188
Derivative financial instruments	27	167,571	-	167,571
Interest-bearing bank loans	28	-	6,735,473	6,735,473
Senior notes	29	-	2,158,649	2,158,649
Lease liabilities	13	-	156,803	156,803
Total		167,571	11,489,095	11,656,666

NOTES TO FINANCIAL STATEMENTS

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40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows: (continued)

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 RMB'000
		Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	RMB'000	RMB'000	
Trade and bills receivables	21	–	–	–	927,179	927,179
Financial assets included in prepayments, other receivables and other assets		–	–	–	92,899	92,899
Derivative financial instruments	27	–	20,567	–	–	20,567
Restricted deposits	23	–	–	–	7,652	7,652
Cash and cash equivalents	23	–	–	–	1,603,920	1,603,920
Other non-current financial assets	19	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 and bills payables	24	–	907,383	907,383
Financial liabilities included in other payables and accruals		–	1,166,729	1,166,729
Derivative financial instruments	27	266	–	266
Interest-bearing bank loans	28	–	7,165,464	7,165,464
Senior notes	29	–	2,119,495	2,119,495
Lease liabilities	13	–	74,883	74,883
Total		266	11,433,954	11,434,220

NOTES TO FINANCIAL STATEMENTS

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41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Financial assets				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	40,470	5,517	40,470	5,517
– The Swaps	–	15,050	–	15,050
Other non-current financial assets	190,858	174,164	190,858	174,164
Total	231,328	194,731	231,328	194,731
Financial liabilities				
Derivative financial instruments				
– The Swaps	(160,126)	(266)	(160,126)	(266)
– Foreign currency forward contracts	(7,445)	–	(7,445)	–
Senior notes	(2,158,649)	(2,119,495)	(2,233,919)	(2,273,947)
Total	(2,326,220)	(2,119,761)	(2,401,490)	(2,274,213)

Management has assessed that the fair values of cash and cash equivalents, time deposits, restricted deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (a) The fair values of lease liabilities (non-current) and the interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The 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 2025 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, are measured using discounted cash flow models. The valuation techniques used both observable and unobservable market inputs. The fair values of the Swaps were the same as their carrying amounts.
- (f) The Group enters into foreign currency forward contracts with various counterparties, principally financial institutions. Derivative financial instruments arising from the foreign currency forward contracts are measured using market observable input. The carrying amounts of foreign currency forward contracts are the same as their fair values.
- (g) 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.
- (h) 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Other non-current financial assets – other unlisted investment	Discounted cash flow model	Discount rate	2025: 1.49% to 1.52% (2024: 1.84% to 1.87%)	1% (2024: 1%) increase in discount rate would result in decrease in fair value by RMB47,000 (2024: RMB72,000) 1% (2024: 1%) decrease in discount rate would result in increase in fair value by RMB49,000 (2024: RMB73,000)
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	2025: 3.82 to 3.90 (2024: 3.01 to 3.07)	1% (2024: 1%) increase in enterprise value-to-sales ratio would result in increase in fair value by RMB569,000 (2024: RMB525,000) 1% (2024: 1%) decrease in enterprise value-to-sales ratio would result in decrease in fair value by RMB562,000 (2024: RMB687,000)
Derivative financial instrument – the Swaps (USD/RMB)	Discounted cash flow model	Discount rate – receive leg	2025: 3.30% to 3.73% (2024: 4.01% to 5.60%)	1% (2024: 1%) increase in discount rate would result in decrease in fair value by RMB2,561,000 (2024: RMB1,131,000) 1% (2024: 1%) decrease in discount rate would result in increase in fair value by RMB2,563,000 (2024: RMB1,132,000)
		Discount rate – pay leg	2025: 1.68% to 1.88% (2024: 2.42% to 4.17%)	1% (2024: 1%) increase in discount rate would result in increase in fair value by RMB747,000 (2024: RMB574,000) 1% (2024: 1%) decrease in discount rate would result in decrease in fair value by RMB323,000 (2024: RMB575,000)

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31 December 2025

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

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments: (continued)

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument - the Swaps (USD/AUD)	Discounted cash flow model	Discount rate – receive leg	2025: nil (2024: 3.23% to 5.41%)	1% (2024: 1%) increase in discount rate would result in increase in fair value by nil (2024: RMB341,000) 1% (2024: 1%) decrease in discount rate would result in decrease in fair value by nil (2024: RMB341,000)
		Discount rate – pay leg	2025: nil (2024: 3.56% to 4.38%)	1% (2024: 1%) increase in discount rate would result in decrease in fair value by nil (2024: RMB330,000) 1% (2024: 1%) decrease in discount rate would result in increase in fair value by nil (2024: RMB330,000)
Derivative financial instrument – early redemption option embedded in the senior notes	Discounted cash flow model	Discount rate	2025: 5.88% (2024: 8.77%)	1% (2024: 1%) increase in discount rate would result in increase in fair value by RMB2,966,000 (2024: RMB2,565,000) 1% (2024: 1%) decrease in discount rate would result in decrease in fair value by RMB2,972,000 (2024: RMB2,570,000)
		Exchange rate	2025: 7.00 (2024: Nil)	1% (2024: 1%) increase in exchange rate would result in increase in fair value by RMB12,091,000 (2024: nil) 1% (2024: 1%) decrease in exchange rate would result in decrease in fair value by RMB12,091,000 (2024: nil)

NOTES TO FINANCIAL STATEMENTS

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

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2025				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	40,470	40,470
– The Swaps	–	–	–	–
Other non-current financial assets	5,389	–	185,469	190,858
Total	5,389	–	225,939	231,328

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2024				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	5,517	5,517
– The Swaps	–	–	15,050	15,050
Other non-current financial assets	2,140	–	172,024	174,164
Total	2,140	–	192,591	194,731

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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

The movements in fair value measurements within Level 3 during the year are as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	192,591	237,168
Addition	18,272	7,204
Derecognition	–	(6,171)
Net settlement	(19,535)	(68,086)
Total gains recognised in profit or loss	26,063	7,869
Total (losses)/gains recognised in equity	(1,535)	20,253
Exchange realignment	10,083	(5,646)
At 31 December	225,939	192,591

Liabilities measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2025				
Derivative financial instruments				
– The Swaps	–	–	160,126	160,126
– Foreign currency forward contracts	–	–	7,445	7,445
Total	–	–	167,571	167,571
As at 31 December 2024				
Derivative financial instruments				
– The Swaps	–	–	266	266

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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

The movements in fair value measurements within Level 3 during the year are as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	266	154,570
Derecognition	(6,227)	(38,327)
Net settlement	37,539	26,227
Total losses/(gains) charged to profit or loss	109,768	(29,981)
Total losses/(gains) recognised in equity	27,690	(109,813)
Exchange realignment	(1,465)	(2,410)
At 31 December	167,571	266

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 (2024: nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, interest-bearing bank loans, and senior notes. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including the foreign currency contracts and the Swaps. 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.

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31 December 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

At as 31 December 2025, approximately 39% (2024: 37%) 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 2025	50	(26,783)
Year ended 31 December 2025	(50)	26,783
Year ended 31 December 2024	50	(27,978)
Year ended 31 December 2024	(50)	27,978

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% (2024: 2%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 81% (2024: 78%) of costs were denominated in currencies other than the units' functional currencies. Certain operating units of the Group use foreign currency forward 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 59% (2024: 35%) of its foreign currency exposure from its interest-bearing bank 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

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
2025		
If the RMB weakens against the USD	5	1,064
If the RMB strengthens against the USD	(5)	(1,064)
If the RMB weakens against the EUR	5	(1,603)
If the RMB strengthens against the EUR	(5)	1,603
If the AUD weakens against the USD	5	53
If the AUD strengthens against the USD	(5)	(53)
<hr/>		
	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)

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2025

	<u>12-month ECLs</u>	<u>Lifetime ECLs</u>	<u>Total</u> RMB'000
	Stage 1 RMB'000	Simplified approach RMB'000	
Trade receivables*	–	933,022	933,022
Financial assets included in prepayments, other receivables and other assets#	79,919	–	79,919
Restricted deposits	17,357	–	17,357
Cash and cash equivalents	1,669,001	–	1,669,001
Total	1,766,277	933,022	2,699,299

As at 31 December 2024

	<u>12-month ECLs</u>	<u>Lifetime ECLs</u>	<u>Total</u> RMB'000
	Stage 1 RMB'000	Simplified approach 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

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

The credit quality of 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2025

	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 and bills payables	31,957	976,025	–	–	–	1,007,982
Financial liabilities included in other payables and accruals	1,430,188	–	–	–	–	1,430,188
Derivative financial instruments	–	(10,474)	(10,168)	72,434	–	51,792
Interest-bearing bank loans	–	206,639	838,654	6,101,677	–	7,146,970
Senior notes	–	96,207	96,207	2,589,674	–	2,782,088
Lease liabilities	–	11,168	33,505	120,897	24,247	189,817
Total	1,462,145	1,279,565	958,198	8,884,682	24,247	12,608,837

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 and bills 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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy liabilities to assets ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 2024.

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 2025 RMB'000	31 December 2024 RMB'000
Total liabilities	13,412,662	13,029,051
Total assets	19,403,524	18,842,422
Liabilities to assets ratio	69%	69%

NOTES TO FINANCIAL STATEMENTS

31 December 2025

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	13,892,462	14,240,113
Due from subsidiaries	1,569,645	1,583,813
Deferred tax assets	383	393
Derivative financial instruments	40,470	20,567
Intangible assets	1,701	2,282
Loans to subsidiaries	2,247,886	3,140,425
Total non-current assets	17,752,547	18,987,593
CURRENT ASSETS		
Prepayments, deposits and other receivables	2,174	572
Due from subsidiaries	1,459,947	1,018,525
Loans to subsidiaries	1,193,715	140,968
Cash and cash equivalents	45,265	103,012
Total current assets	2,701,101	1,263,077
CURRENT LIABILITIES		
Trade and bills payables	26,856	8,617
Due to subsidiaries	4,169,247	2,899,242
Other payables and accruals	40,142	55,862
Tax payable	-	2,226
Interest-bearing bank loans	320,532	370,055
Senior notes	83,656	2,247
Loans from subsidiaries	-	101,394
Total current liabilities	4,640,433	3,439,643
NET CURRENT LIABILITIES	(1,939,332)	(2,176,566)
TOTAL ASSETS LESS CURRENT LIABILITIES	15,813,215	16,811,027
NON-CURRENT LIABILITIES		
Derivative financial instruments	160,126	266
Senior notes	2,074,993	2,117,248
Interest-bearing bank loans	4,470,336	5,105,937
Total non-current liabilities	6,705,455	7,223,451
Net assets	9,107,760	9,587,576
EQUITY		
Issued capital	5,519	5,519
Reserves (note)	9,011,429	9,552,057
Proposed dividend	90,812	30,000
Total equity	9,107,760	9,587,576

Luo Fei

Director

Wang Yidong

Director

NOTES TO FINANCIAL STATEMENTS

31 December 2025

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 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 and 1 January 2025	694,991	(37,680)	3,260,270	64,210	1,012	503,335	5,065,919	9,552,057
Total comprehensive income for the year	-	-	-	-	-	(260,294)	(79,741)	(340,035)
Equity-settled share option arrangements	-	-	-	777	-	-	-	777
Equity-settled share award arrangements	-	4,451	-	-	(1,012)	-	(3,097)	342
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(5,476)	-	-	5,476	-
Final 2024 and interim 2025 dividend declared	-	-	-	-	-	-	(110,900)	(110,900)
Proposed final 2025 dividend	-	-	-	-	-	-	(90,812)	(90,812)
At 31 December 2025	694,991	(33,229)	3,260,270	59,511	-	243,041	4,786,845	9,011,429

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, pursuant to the reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium account and contributed surplus are distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

44. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 24 March 2026.

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, is set out below.

	Year ended 31 December				
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
RESULTS					
Revenue	11,547,825	12,775,914	13,926,470	13,051,708	14,353,571
Gross profit	7,247,982	7,703,488	8,294,256	7,915,512	8,963,713
Profit before tax	850,213	1,030,931	933,602	196,793	563,098
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	508,484	611,783	581,845	(53,721)	196,140
Earnings per share attributable to ordinary equity holders of the parent (RMB)					
For profit for the year					
– Basic	0.79	0.96	0.91	(0.08)	0.31
– Diluted	0.79	0.95	0.90	(0.08)	0.31

	As at 31 December				
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
ASSETS AND LIABILITIES					
Non-current assets	14,768,283	15,103,606	14,908,570	14,219,781	14,107,169
Current assets	5,513,464	5,859,419	5,133,400	4,622,641	5,296,355
Current liabilities	(6,821,933)	(5,134,883)	(8,441,189)	(3,872,369)	(4,615,438)
Non-current liabilities	(7,574,628)	(9,686,289)	(5,305,557)	(9,156,682)	(8,797,224)
Total Equity	5,885,186	6,141,853	6,295,224	5,813,371	5,990,862

Health and Happiness (H&H) International Holdings Limited

健合(H&H)國際控股有限公司

