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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)

(Stock Code: 1112)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

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

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

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

The board (the "**Board**") of directors (the "**Directors**") of Health and Happiness (H&H) International Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the corresponding period in 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**13,926,470**	12,775,914
Cost of sales		**(5,632,214)**	(5,072,426)
Gross profit		**8,294,256**	7,703,488
Other income and gains	5	**214,557**	219,818
Selling and distribution expenses		**(5,599,680)**	(5,235,233)
Administrative expenses		**(848,453)**	(727,683)
Other expenses		**(336,404)**	(382,167)
Finance costs		**(773,489)**	(525,659)
Share of losses of associates		**(17,185)**	(21,633)
PROFIT BEFORE TAX	6	**933,602**	1,030,931
Income tax expense	7	**(351,757)**	(419,148)
PROFIT FOR THE YEAR		**581,845**	611,783
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		**(80,489)**	324,640
Reclassification adjustments for gains/(losses) included in profit or loss		**425**	(258,594)
Income tax effect		**27,393**	(5,475)
		(52,671)	60,571
Hedges of net investments:			
Effective portion of changes in fair value of hedging instruments arising during the year		**41,345**	62,220
Exchange differences on translation of foreign operations		**15,146**	(29,788)
Exchange differences on net investments in foreign operations		**71,996**	(74,746)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**75,816**	18,257

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

Year ended 31 December 2023

	Note	**2023**	2022
		RMB'000	*RMB'000*
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		**(25,897)**	(38,307)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**49,919**	(20,050)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**631,764**	591,733
Profit attributable to owners of the parent		**581,845**	611,783
Total comprehensive income attributable to owners of the parent		**631,764**	591,733
		RMB	*RMB*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**0.91**	0.96
Diluted		**0.90**	0.95

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**369,545**	388,382
Right-of-use assets		**141,202**	142,720
Goodwill		**7,820,522**	7,684,093
Intangible assets		**5,582,409**	5,639,307
Bonds receivable		**–**	74,229
Deposits		**28,903**	61,842
Investment in associates		**134,950**	152,135
Deferred tax assets		**580,624**	637,800
Derivative financial instruments		**48,057**	128,081
Other non-current financial assets		**202,358**	195,017
Total non-current assets		**14,908,570**	15,103,606
CURRENT ASSETS			
Inventories		**2,374,801**	2,587,701
Trade and bills receivables	*10*	**1,060,254**	769,051
Prepayments, other receivables and other assets		**247,113**	179,304
Bonds receivable		**78,592**	–
Derivative financial instruments		**927**	8,936
Pledged deposits		**7,430**	10,767
Cash and cash equivalents		**1,364,283**	2,303,660
Total current assets		**5,133,400**	5,859,419
CURRENT LIABILITIES			
Trade payables	*11*	**1,040,677**	1,340,970
Other payables and accruals		**2,216,061**	2,199,256
Contract liabilities		**200,461**	266,613
Derivative financial instrument		**103,924**	–
Interest-bearing bank loans		**4,289,907**	967,242
Lease liabilities		**37,415**	21,960
Senior notes		**432,237**	19,411
Tax payable		**120,507**	319,431
Total current liabilities		**8,441,189**	5,134,883
NET CURRENT (LIABILITIES)/ASSETS		**(3,307,789)**	724,536

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2023

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

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

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

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products. In previous years, the Group had five reportable operating segments, including the infant formulas segment, the probiotic supplement segment, the adult nutrition and care products segment, the other paediatric products segment and the pet nutrition and care products segment. During the year, in order to better allocate the resources of the Group and assess the performance of different operating segments, the Group regroups the nutrition supplements from the other paediatric products segment to the probiotic supplements segment, which is correspondingly renamed as probiotic and nutritional supplements segment. The five reportable operating segments are as follows:

(a) the infant formulas segment comprises the production and sale of milk formulas for infants, children and expectant and nursing mothers;

(b) the probiotic and nutritional supplements segment comprises the production and sale of probiotic supplements and nutrition supplements in the form of sachets, capsules, gummies and tablets for infants, children and expectant mothers;

(c) the adult nutrition and care products segment comprises the production and sale of vitamins, herbal and mineral supplements, skin care and sports nutrition products for adults;

(d) the other paediatric products segment comprises the production and sale of dried baby food and baby care products; and

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

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

Operating segment information for the year ended 31 December 2023:

	Infant formulas *RMB'000*	Probiotic and nutritional supplements *RMB'000*	Adult nutrition and care products *RMB'000*	Other paediatric products *RMB'000*	Pet nutrition and care products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*:							
Sales to external customers	**4,397,454**	**1,213,325**	**6,144,946**	**296,691**	**1,874,054**	**–**	**13,926,470**
Segment results	**2,301,461**	**927,470**	**4,030,219**	**123,698**	**911,408**	**–**	**8,294,256**
Reconciliations:							
Interest income							**24,412**
Other income and unallocated gains							**190,145**
Share of losses of associates							**(17,185)**
Corporate and other unallocated expenses							**(6,784,537)**
Finance costs							**(773,489)**
Profit before tax							**933,602**
Other segment information:							
Depreciation and amortisation	**24,104**	**6,841**	**87,660**	**9,444**	**77,713**	**96,491**	**302,253**
Impairment of trade receivables	**–**	**–**	**1,591**	**968**	**517**	**–**	**3,076**
Write-down of inventories to net realisable value	**157,915**	**2,701**	**117,676**	**7,490**	**27,461**	**–**	**313,243**
Impairment of goodwill and intangible assets	**–**	**–**	**41,660**	**55,671**	**–**	**–**	**97,331**
Reversal of impairment of property, plant and equipment	**–**	**–**	**–**	**–**	**(1,273)**	**–**	**(1,273)**
Capital expenditure*	**61,510**	**4,648**	**15,211**	**12,259**	**15,750**	**13,055**	**122,433**

Operating segment information for the year ended 31 December 2022:

	Infant formulas *RMB'000*	Probiotic and nutritional supplements *RMB'000* (Restated)	Adult nutrition and care products *RMB'000*	Other paediatric products *RMB'000* (Restated)	Pet nutrition and care products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*:							
Sales to external customers	5,179,961	1,111,749	4,559,212	395,462	1,529,530	–	12,775,914
Segment results	3,148,382	853,522	2,852,567	170,562	678,455	–	7,703,488
Reconciliations:							
Interest income							20,019
Other income and unallocated gains							199,799
Share of losses of associates							(21,633)
Corporate and other unallocated expenses							(6,345,083)
Finance costs							(525,659)
Profit before tax							1,030,931
Other segment information:							
Depreciation and amortisation	23,904	9,802	89,681	9,550	71,508	106,838	311,283
Impairment of trade receivables	–	–	5,196	10,470	–	–	15,666
Write-down of inventories to net realisable value	149,770	2,205	57,605	17,192	22,457	–	249,229
Impairment of goodwill and intangible assets	–	–	128,044	6,431	–	–	134,475
Impairment of property, plant and equipment	–	–	–	–	3,041	–	3,041
Capital expenditure*	16,763	2,867	20,435	5,140	9,664	4,047	58,916

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

Geographical information

(a) *Revenue from external customers*

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**9,972,668**	9,565,867
Australia and New Zealand	**1,794,566**	1,387,351
North America	**1,498,193**	1,220,807
Other locations*	**661,043**	601,889
Total revenue	**13,926,470**	12,775,914

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

(b) *Non-current assets*

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**441,364**	468,274
Australia and New Zealand	**2,358,609**	2,368,711
North America	**2,489,134**	2,503,439
Other locations*	**967,902**	1,043,962
Total non-current assets	**6,257,009**	6,384,386

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and goodwill.

* Including the special administrative regions of the People's Republic of China ("**PRC**").

Information about major customers

During the years ended 31 December 2023 and 2022, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of the revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**13,926,470**	12,775,914

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	**Infant formulas** *RMB'000*	**Probiotic and nutritional supplements** *RMB'000*	**Adult nutrition and care products** *RMB'000*	**Other paediatric products** *RMB'000*	**Pet nutrition and care products** *RMB'000*	**Total** *RMB'000*
Geographical markets						
Mainland China	**4,244,230**	**1,200,633**	**4,056,237**	**65,865**	**405,703**	**9,972,668**
Australia and New Zealand	**17,047**	**1,511**	**1,776,008**	**–**	**–**	**1,794,566**
North America	**–**	**560**	**33,165**	**–**	**1,464,468**	**1,498,193**
Other locations*	**136,177**	**10,621**	**279,536**	**230,826**	**3,883**	**661,043**
Total	**4,397,454**	**1,213,325**	**6,144,946**	**296,691**	**1,874,054**	**13,926,470**
Timing of revenue recognition						
Goods transferred at a point in time	**4,397,454**	**1,213,325**	**6,144,946**	**296,691**	**1,874,054**	**13,926,470**

For the year ended 31 December 2022

Segments	Infant formulas *RMB'000*	Probiotic and nutritional supplements *RMB'000* (Restated)	Adult nutrition and care products *RMB'000*	Other paediatric products *RMB'000* (Restated)	Pet nutrition and care products *RMB'000*	Total *RMB'000*
Geographical markets						
Mainland China	5,022,877	1,103,276	2,937,323	166,627	335,764	9,565,867
Australia and New Zealand	30,365	1,180	1,355,806	–	–	1,387,351
North America	–	714	27,475	–	1,192,618	1,220,807
Other locations*	126,719	6,579	238,608	228,835	1,148	601,889
Total	5,179,961	1,111,749	4,559,212	395,462	1,529,530	12,775,914
Timing of revenue recognition						
Goods transferred at a point in time	5,179,961	1,111,749	4,559,212	395,462	1,529,530	12,775,914

* Including the special administrative regions of the PRC.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**266,613**	264,215

(ii) *Performance obligations*

The performance obligation is satisfied upon delivery of the Group's products. Advance payment is normally required for sales to customers in mainland china except in limited circumstances for credit sales. Credit sales are usually allowed for customers outside mainland china with credit terms of 30 to 90 days from end of month. Some contracts provide customers with a right of return and sales rebates which give rise to variable consideration subject to constraint.

Other income and gains

	2023	2022
	RMB'000	*RMB'000*
Bank interest income	**22,676**	16,879
Interest income from loans and bonds receivables	**1,736**	3,140
Foreign exchange gains	**–**	76,669
Fair value gains on derivative financial instruments	**24,930**	23,596
Fair value changes on other non-current financial assets	**28,174**	–
Government subsidies*	**19,113**	18,508
Gains from sales of raw materials	**64,960**	23,882
Gains from sale of scraps	**7,389**	12,895
Gain on disposal of a leasehold land	**–**	3,399
Gains on revision of lease term or early termination of leases	**29**	3,175
Interest income from investment in Isigny Sainte Mère ("**ISM**")	**5,815**	1,522
Net gains on partial repurchase of the senior notes	**20,803**	25,204
Reversal of impairment of other receivables	**7,083**	–
Reversal of impairment of property, plant and equipment	**1,273**	–
Others	**10,576**	10,949
Total other income and gains	**214,557**	219,818

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

6. PROFIT BEFORE TAX

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

	2023 *RMB'000*	2022 *RMB'000*
Cost of inventories sold	**5,318,971**	4,823,197
Depreciation of property, plant and equipment	**69,713**	72,431
Depreciation of right-of-use assets	**36,500**	38,576
Amortisation of intangible assets	**196,040**	200,276
Research and development costs**	**206,077**	158,188
Lease payments not included in the measurement of lease liabilities	**12,186**	18,527
Gains on revision of lease term or early termination of leases*	**(29)**	(3,175)
Gain on disposal of a leasehold land*	**–**	(3,399)
Loss on disposal of items of property, plant and equipment and intangible assets**	**2,677**	8,071
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**1,197,911**	1,107,720
Pension scheme contributions (defined contribution schemes)	**191,399**	178,186
Staff welfare and other expenses	**87,470**	82,799
Reversal of equity-settled share option expense	**(17,359)**	(64,773)
Equity-settled share award expense	**13,571**	20,231
Total	**1,472,992**	1,324,163
Foreign exchange losses/(gains), net*	**4,771****	(76,669)*
Fair value gains on derivative financial instruments, net*	**(24,930)**	(23,596)
Fair value (gains)/losses on other non-current financial assets	**(28,174)***	26,443**
(Reversal of)/impairment of property, plant and equipment	**(1,273)***	3,041**
Impairment of goodwill**	**55,671**	109,062
Impairment of intangible assets **	**41,660**	25,413
Impairment of trade receivables**	**3,076**	15,666
(Reversal of)/impairment of other receivables	**(7,083)***	13,213**
Write-down of inventories to net realisable value#	**313,243**	249,229
Net gains from partial repurchase of the senior notes*	**(20,803)**	(25,204)
Amortised gain of interest rate hedge in relation to previous term loan##	**(62,908)**	(36,484)
Transaction costs, net of gain on exchange of senior notes##	**28,792**	–

* 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

7. INCOME TAX

	2023	2022
	RMB'000	*RMB'000*
Current		
– Charge for the year		
Mainland China	**112,829**	295,726
Hong Kong	**126,103**	121,188
Australia	**97,799**	40,667
Elsewhere	**420**	2,773
– Over provision in the prior year	**(2,823)**	(789)
Deferred	**17,429**	(40,417)
Total	**351,757**	419,148

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

PRC enterprise income tax ("EIT")

The income tax provision of the Group in respect of its operations in mainland China has been calculated at the rate of 25% (2022: 25%) on the taxable profits for the year ended 31 December 2023, based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Hapai Information Technology Co., Ltd. ("**Guangzhou Hapai**") and Biostime (Guangzhou) Health Products Limited ("**Biostime Health**"), the Company's wholly-owned subsidiaries operating in mainland China, were recognised as high-technology enterprises in December 2022 and 2023, respectively, and are subject to EIT at a rate of 15% for three years from 2022 to 2024 and from 2023 to 2025, respectively. Therefore, Guangzhou Hapai and Biostime Health were subject to EIT at a rate of 15% for the years ended 31 December 2023 and 2022.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2023, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HKD2,000,000 (2022: HKD2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Australia corporate income tax

Australia corporate income tax has been provided at the rate of 30% (2022: 30%) on the estimated assessable profits arising in Australia.

Tax consolidation legislation

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

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

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

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

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

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

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

As a top 1000 taxpayer in Australia, Biostime Healthy Australia is subject to the Australian Tax Office's (ATO) compliance programs, which started in August 2019. Biostime Healthy Australia is currently undergoing an Australian tax examination for which the timing of resolution and any potential economic outcome is unable to be determined at this stage. This examination is expected to continue until 31 December 2024 and potentially beyond that date. Biostime Healthy Australia is being assisted in the discussions by external advisors.

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.

8. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Dividends on ordinary shares declared and paid during the year:		
Interim – HKD0.44 (2022: HKD0.25) per ordinary share	**258,860**	139,737
Proposal final – HKD0.18 (2022: HKD0.38) per ordinary share	**101,594**	220,717

The proposed final dividend for the year ended 31 December 2023 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 640,141,115 (2022: 640,031,979) in issue during the year.

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

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

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**581,845**	611,783
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	**645,561,354**	645,240,237
Weighted average number of shares held for the share award schemes	**(5,420,239)**	(5,208,258)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**640,141,115**	640,031,979
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	**4,725,807**	4,290,732
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**644,866,922**	644,322,711

10. TRADE AND BILLS RECEIVABLES

	2023 *RMB'000*	2022 *RMB'000*
Trade receivables	**1,066,700**	747,762
Less: Impairment provision	**(25,730)**	(26,249)
	1,040,970	721,513
Bills receivable	**19,284**	47,538
Net carrying amount	**1,060,254**	769,051

Advance payment is normally required for sales to customers in mainland China except in limited circumstances for credit sales. Credit sales are usually allowed for customers outside mainland China with credit terms of 30 to 90 days from end of month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. Bills receivable represent bank acceptance notes issued by banks in mainland China which are non-interest-bearing.

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

	2023 *RMB'000*	2022 *RMB'000*
Within 1 month	**548,993**	314,564
1 to 3 months	**457,958**	411,192
Over 3 months	**53,303**	43,295
Total	**1,060,254**	769,051

11. TRADE PAYABLES

	2023 *RMB'000*	2022 *RMB'000*
Trade payables	**1,040,677**	1,340,970

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

	2023 *RMB'000*	2022 *RMB'000*
Within 1 month	**863,196**	955,278
1 to 3 months	**133,620**	255,950
Over 3 months	**43,861**	129,742
Total	**1,040,677**	1,340,970

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

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

Adult Nutrition and Care

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

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

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

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

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

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

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

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

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

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

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

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

Baby Nutrition and Care

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

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

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

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

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

Pet Nutrition and Care

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

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

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

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

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

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

Outlook: profitable growth across all pillars amid market normalisation

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 According to research statistics by IQVIA, an independent research company, market share data based on unit sales for the past twelve months ended 31 December 2023.

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

7 According to research statistics by Stackline and NielsenIQ Byzzer, independent research companies, market share data for the 52 weeks ended 30 December 2023.

Other territories: Strong growth momentum continued in Asian expansion markets

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

Gross profit and gross profit margin

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

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

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

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

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

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

Other income and gains

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

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

Selling and distribution costs

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

ANC

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

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

BNC

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

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

PNC

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

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

Administrative expenses

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

Other expenses

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

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

EBITDA and EBITDA margin

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

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

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

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

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

Finance costs

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

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

Income tax expense

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

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

Net profit and adjusted net profit

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

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

Investing activities

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

Financing activities

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

Cash and bank balances

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

Interest-bearing bank loans and senior notes

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

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

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

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

Working capital

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

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

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

SIGNIFICANT BUSINESS DEVELOPMENT AFTER THE END OF THE REPORTING PERIOD

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

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

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

DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

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

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

(b) Entitlement to the proposed final dividend

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

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 (previously known as Appendix 14) to the Listing Rules as its own code of corporate governance. The Company has complied with all the code provisions contained in the CG Code for the year ended 31 December 2023.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 (previously known as Appendix 10) 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 during the year ended 31 December 2023.

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

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

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

AUDIT COMMITTEE

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

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

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

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 and the related notes thereto as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

During the year ended 31 December 2023, with a view to reducing financing cost and optimising capital structure, the Company has in aggregate repurchased on market USD68,211,000 in principal amount of the 5.625% senior notes due 2024, representing approximately 25.2% of the outstanding principal amount of the 5.625% senior notes due 2024. The Company also repurchased on market USD20,200,000 in principal amount of the 13.5% senior notes due 2026, representing approximately 10.1% of the outstanding principal amount of the 13.5% senior notes due 2026.

Save as disclosed above, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is also published on the websites of the Company (www.hh.global) and the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2023 containing all the information required by Appendix D2 (previously known as Appendix 16) to the Listing Rules will be despatched to the shareholders of the Company (if requested) and available on the above websites in due course.

By order of the Board of
Health and Happiness (H&H) International Holdings Limited
Luo Fei
Chairman

Hong Kong, 26 March 2024

As at the date of this announcement, the executive directors of the Company are Mr. Luo Fei and Mr. Wang Yidong; the non-executive directors of the Company are Mrs. Laetitia Albertini, Dr. Zhang Wenhui, Mr. Luo Yun and Mrs. Mingshu Zhao Wiggins; and the independent non-executive directors of the Company are Mr. Tan Wee Seng, Mrs. Lok Lau Yin Ching and Professor Ding Yuan.