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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 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2021	2020	Change
	RMB'000	*RMB'000*	
Revenue	**11,547,825**	11,194,679	3.2%
Gross profit	**7,247,982**	7,186,991	0.8%
EBITDA*	**1,428,949**	2,156,764	-33.7%
Adjusted EBITDA*	**1,851,915**	2,065,180	-10.3%
Net profit	**508,484**	1,136,694	-55.3%
Adjusted Net profit**	**952,854**	1,087,640	-12.4%

* EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA = EBITDA + Non-cash losses of RMB361.7 million for the year ended 31 December 2021 (2020: gains of RMB69.2 million) + Non-recurring losses of RMB61.3 million for the year ended 31 December 2021 (2020: gains of RMB22.4 million)

** Adjusted net profit = Net profit + EBITDA adjustment items of losses of RMB423.0 million for the year ended 31 December 2021 (2020: gains of RMB91.6 million) + Other non-cash losses of RMB21.4 million (2020: losses of RMB42.5 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 2021, together with the comparative figures for the corresponding period in 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
REVENUE	*5*	**11,547,825**	11,194,679
Cost of sales		**(4,299,843)**	(4,007,688)
Gross profit		**7,247,982**	7,186,991
Other income and gains	*5*	**108,376**	169,677
Selling and distribution expenses		**(4,971,868)**	(4,604,026)
Administrative expenses		**(695,721)**	(679,062)
Other expenses		**(554,345)**	(190,784)
Finance costs		**(285,143)**	(286,554)
Share of profit of an associate		**932**	8,418
PROFIT BEFORE TAX	*6*	**850,213**	1,604,660
Income tax expense	*7*	**(341,729)**	(467,966)
PROFIT FOR THE YEAR		**508,484**	1,136,694
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		**285,524**	(431,088)
Reclassification adjustments for (losses)/gains included in profit or loss		**(178,018)**	363,907
Income tax effect		**(25,831)**	32,913
		81,675	(34,268)
Hedges of net investments:			
Effective portion of changes in fair value of hedging instruments arising during the year		**(79,020)**	(90,197)
Exchange differences on translation of foreign operations		**(287,897)**	212,253
Exchange differences on net investments in foreign operations		**(17,599)**	1,288
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(302,841)**	89,076

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

Year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		**(169,908)**	178,397
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(472,749)**	267,473
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**35,735**	1,404,167
Profit attributable to owners of the parent		**508,484**	1,136,694
Total comprehensive income attributable to owners of the parent		**35,735**	1,404,167
		RMB	*RMB*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**0.79**	1.77
Diluted		**0.79**	1.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
			(Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**444,378**	433,896
Right-of-use assets		**144,917**	169,591
Goodwill		**7,471,994**	6,003,809
Intangible assets		**5,572,436**	4,224,561
Bonds receivable		**72,197**	220,504
Deposits		**42,305**	65,484
Investment in an associate		**67,712**	66,780
Deferred tax assets		**602,846**	587,539
Derivative financial instruments		**13,715**	91,345
Other non-current financial assets		**335,783**	386,363
Total non-current assets		**14,768,283**	12,249,872
CURRENT ASSETS			
Inventories		**2,087,720**	1,958,055
Trade and bills receivables	*10*	**739,257**	795,558
Prepayments, other receivables and other assets		**280,762**	341,629
Derivative financial instruments		**5,655**	38,022
Pledged deposits		**–**	4,416
Cash and cash equivalents		**2,400,070**	1,830,873
Total current assets		**5,513,464**	4,968,553
CURRENT LIABILITIES			
Trade and bills payables	*11*	**881,458**	637,822
Other payables and accruals		**2,175,358**	2,184,333
Contract liabilities		**264,215**	168,028
Derivative financial instrument		**104**	–
Interest-bearing bank loans		**3,125,737**	–
Lease liabilities		**23,533**	42,846
Senior notes		**19,752**	20,232
Tax payable		**331,776**	224,440
Total current liabilities		**6,821,933**	3,277,701
NET CURRENT (LIABILITIES)/ASSETS		**(1,308,469)**	1,690,852

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2021

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
NET CURRENT (LIABILITIES)/ASSETS	**(1,308,469)**	1,690,852
TOTAL ASSETS LESS CURRENT LIABILITIES	**13,459,814**	13,940,724
NON-CURRENT LIABILITIES		
Senior notes	**1,918,700**	1,965,327
Interest-bearing bank loans	**4,311,094**	4,038,793
Lease liabilities	**79,049**	106,262
Other payables and accruals	**8,851**	5,030
Derivative financial instruments	**430,802**	684,583
Deferred tax liabilities	**826,132**	938,042
Total non-current liabilities	**7,574,628**	7,738,037
Net assets	**5,885,186**	6,202,687
EQUITY		
Issued capital	**5,516**	5,510
Other reserves	**5,791,865**	5,987,832
Proposed dividend	**87,805**	209,345
Total equity	**5,885,186**	6,202,687

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (the "**Group**") are 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.

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 2021, the Group recorded net current liabilities of RMB1,308.5 million, which was mainly resulted from the bridge loan (the "**Bridge Loan**") of US$344.4 million (being the principal of US$350.0 million, netting off an upfront fee of US$5.6 million, and equivalent to approximately RMB2,228.1 million) obtained for the acquisition of 100% equity interest in Zesty Paws, LLC ("**Zesty Paws**") as disclosed in note 12 to these financial statements. The Bridge Loan will be due for repayment on 30 September 2022.

The Group is in the process of refinancing the Bridge Loan by a new syndicated loan. Up to the date of approval of these financial statements, the Group has obtained internal credit approvals from certain banks relating to the new syndicated loan. The Directors of the Company believe that the Group will be able to secure the refinancing of the Bridge Loan in due course. At the same time it will be able to continue to generate positive cash flows from its operations before the Bridge Loan 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 2021. 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).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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 of infant formulas for children under seven years old and milk formulas for expectant and nursing mothers;

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

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

(d) the other pediatric products segment comprises the production of dried baby food and nutrition supplements and baby care products; and

(e) the pet nutrition and care products segment comprises the production of food, health supplements and bone broth products for pets.

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 an associate, finance costs as well as head office and corporate expenses are excluded from this measurement.

Operating segment information for the year ended 31 December 2021:

	Infant formulas *RMB'000*	Probiotic supplements *RMB'000*	Adult nutrition and care products *RMB'000*	Other pediatric products *RMB'000*	Pet nutrition and care products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment revenue ***(note 5)*****:**							
Sales to external customers	5,146,449	964,423	4,209,161	501,380	726,412	–	11,547,825
Segment results	3,281,475	756,978	2,664,830	245,035	299,664	–	7,247,982
Reconciliations:							
Interest income							11,882
Other income and unallocated gains							96,494
Share of profit of an associate							932
Corporate and other unallocated expenses							(6,221,934)
Finance costs							(285,143)
Profit before tax							850,213
Other segment information:							
Depreciation and amortisation	25,365	4,443	95,422	16,152	38,647	125,446	305,475
Impairment of trade receivables	–	–	10,998	7,928	–	–	18,926
Write-down of inventories to net realisable value	31,194	7,890	83,826	4,595	6,526	–	134,031
Impairment of goodwill	76,000	–	–	–	–	–	76,000
Capital expenditure*	36,750	7,134	24,766	13,544	1,753,408	53,599	1,889,201

Operating segment information for the year ended 31 December 2020:

	Infant formulas *RMB'000*	Probiotic supplements *RMB'000*	Adult nutrition and care products *RMB'000*	Other pediatric products *RMB'000*	Pet nutrition and care products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment revenue *(note 5):*							
Sales to external customers	5,244,186	1,395,644	3,867,510	661,097	26,242	–	11,194,679
Segment results	3,343,737	1,087,698	2,411,142	334,408	10,006	–	7,186,991
Reconciliations:							
Interest income							18,697
Other income and unallocated gains							150,980
Share of profit of an associate							8,418
Corporate and other unallocated expenses							(5,473,872)
Finance costs							(286,554)
Profit before tax							1,604,660
Other segment information:							
Depreciation and amortisation	21,254	4,625	112,997	14,099	31	131,241	284,247
Impairment of trade receivables	–	–	655	6,359	25	–	7,039
Write-down of inventories to net realisable value	30,695	6,611	69,081	12,298	–	–	118,685
Impairment of a right-of-use asset	–	–	13,453	–	–	–	13,453
Capital expenditure* (restated)	22,392	3,919	16,769	13,753	648,009	19,904	724,746

* 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

	2021 *RMB'000*	2020 *RMB'000*
Mainland China	**9,084,641**	9,276,132
Australia and New Zealand	**1,307,384**	1,238,377
Other locations*	**1,155,800**	680,170
	11,547,825	11,194,679

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

(b) *Non-current assets*

	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**502,838**	507,418
Australia and New Zealand	**2,391,368**	2,699,656
Other locations*	**3,377,542**	1,753,238
	6,271,748	4,960,312

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 2021 and 2020, 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:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**11,547,825**	11,194,679

(i) *Disaggregated revenue information*

For the year ended 31 December 2021

Segments	**Infant formulas** *RMB'000*	**Probiotic supplements** *RMB'000*	**Adult nutrition and care products** *RMB'000*	**Other pediatric products** *RMB'000*	**Pet nutrition and care products** *RMB'000*	**Total** *RMB'000*
Geographical markets						
Mainland China	**4,983,276**	**956,733**	**2,673,058**	**217,574**	**254,000**	**9,084,641**
Australia and New Zealand	**46,117**	**1,249**	**1,260,018**	**–**	**–**	**1,307,384**
Other locations*	**117,056**	**6,441**	**276,085**	**283,806**	**472,412**	**1,155,800**
Total	**5,146,449**	**964,423**	**4,209,161**	**501,380**	**726,412**	**11,547,825**
Timing of revenue recognition						
Goods transferred at a point in time	**5,146,449**	**964,423**	**4,209,161**	**501,380**	**726,412**	**11,547,825**

For the year ended 31 December 2020

Segments	Infant formulas *RMB'000*	Probiotic supplements *RMB'000*	Adult nutrition and care products *RMB'000*	Other pediatric products *RMB'000*	Pet nutrition and care products *RMB'000*	Total *RMB'000*
Geographical markets						
Mainland China	5,123,022	1,389,519	2,370,763	392,828	–	9,276,132
Australia and New Zealand	28,799	1,113	1,208,465	–	–	1,238,377
Other locations*	92,365	5,012	288,282	268,269	26,242	680,170
Total	5,244,186	1,395,644	3,867,510	661,097	26,242	11,194,679
Timing of revenue recognition						
Goods transferred at a point in time	5,244,186	1,395,644	3,867,510	661,097	26,242	11,194,679

* 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:

	2021 ***RMB'000***	2020 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**168,028**	134,614

(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 volume rebates which give rise to variable consideration subject to constraint.

Other income and gains

	2021 *RMB'000*	2020 *RMB'000*
Bank interest income	**4,793**	8,851
Interest income from loans and bonds receivables	**7,089**	9,846
Foreign exchange gains	**–**	56,485
Fair value gains on derivative financial instruments	**–**	24,128
Fair value gains on financial assets	**–**	2,117
Government subsidies*	**35,081**	51,077
Gains from sales of raw materials	**25,745**	–
Gains on early termination of lease	**18,598**	–
Other investment income	**–**	701
Others	**17,070**	16,472
	108,376	169,677

* 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):

	2021 *RMB'000*	2020 *RMB'000*
Cost of inventories sold	**4,165,812**	3,889,003
Depreciation of property, plant and equipment	**82,229**	87,371
Depreciation of right-of-use assets	**47,143**	65,225
Amortisation of intangible assets	**176,103**	131,651
Auditor's remuneration	**8,468**	7,760
Research and development costs**	**143,955**	138,975
Lease payments not included in the measurement of lease liabilities	**13,424**	10,646
Gains on early termination of lease	**(18,598)**	–
Loss on disposal of items of property, plant and equipment and intangible assets**	**918**	212
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**1,077,908**	1,095,987
Pension scheme contributions (defined contribution schemes)	**160,190**	88,532
Staff welfare and other expenses	**45,779**	79,716
Equity-settled share option expense	**42,450**	48,460
	1,326,327	1,312,695
Impairment of goodwill**	**76,000**	–
Foreign exchange losses/(gains), net	**146,705****	(56,485)*
Fair value losses/(gains) on derivative financial instruments, net	**134,342****	(24,128)*
Fair value losses/(gains) on financial assets	**4,650****	(2,117)*
Impairment of trade receivables**	**18,926**	7,039
Write-down of inventories to net realisable value#	**134,031**	118,685
Impairment of a right-of-use asset**	**–**	13,453

* 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.

7. INCOME TAX

	2021	2020
	RMB'000	*RMB'000*
Current		
– Charge/(credit) for the year		
Mainland China	**278,737**	548,165
Hong Kong	**169,742**	136,191
Australia	**(2,664)**	(29,673)
Elsewhere	**(1,264)**	1,244
– (Overprovision)/underprovision in the prior year	**(2,279)**	5,151
Deferred	**(100,543)**	(193,112)
Total tax charge for the year	**341,729**	467,966

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% (2020: 25%) on the taxable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. Biostime (Guangzhou) Health Products Limited ("**Biostime Health**") and Guangzhou Hapai Information Technology Co., Ltd. ("**Guangzhou Hapai**"), the Company's wholly-owned subsidiaries operating in Mainland China, were recognised as high-new technology enterprises in December 2019 and 2020, respectively, and are subject to EIT at a rate of 15% for three years from 2019 to 2021 and from 2020 to 2022, respectively. Therefore, Biostime Health and Guangzhou Hapai were subject to EIT at a rate of 15% for the year ended 31 December 2021 and 2020.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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 (2020: 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% (2020: 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.

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

	2021	2020
	RMB'000	*RMB'000*
Dividends on ordinary shares declared and paid during the year:		
Interim – HKD0.37 (2020: HKD0.63) per ordinary share	**198,051**	359,585
Proposal final – HKD0.17 (2020: HKD0.39) per ordinary share	**87,805**	209,345
	285,856	568,930

The proposed final dividend for the year 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 644,772,453 (2020: 643,883,701) 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:

	2021 *RMB'000*	2020 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**508,484**	1,136,694

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	**644,948,164**	644,087,931
Weighted average number of shares held for the share award schemes	**(175,711)**	(204,230)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**644,772,453**	643,883,701
Effect of dilution-weighted average number of ordinary shares: Share options and awarded shares	**899,909**	2,679,339
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**645,672,362**	646,563,040

10. TRADE AND BILLS RECEIVABLES

	2021 *RMB'000*	2020 *RMB'000*
Trade receivables	**716,027**	714,374
Less: Impairment provision	**(24,968)**	(13,123)
	691,059	701,251
Bills receivable	**48,198**	94,307
	739,257	795,558

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:

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**477,008**	466,228
1 to 3 months	**223,721**	289,211
Over 3 months	**38,528**	40,119
	739,257	795,558

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**13,123**	7,424
Acquisition of a subsidiary	**–**	188
Impairment losses recognised *(note 6)*	**21,760**	10,516
Amount written off as uncollectible	**(5,706)**	(1,582)
Impairment losses reversed *(note 6)*	**(2,834)**	(3,477)
Exchange realignment	**(1,375)**	54
At end of year	**24,968**	13,123

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.

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 2021

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**1.38%**	**12.22%**	**16.78%**	**26.78%**	**3.49%**
Gross carrying amount *(RMB'000)*	**635,346**	**21,908**	**21,956**	**36,817**	**716,027**
Expected credit losses *(RMB'000)*	**8,747**	**2,677**	**3,684**	**9,860**	**24,968**

As at 31 December 2020

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.63%	1.85%	3.58%	15.29%	1.84%
Gross carrying amount *(RMB'000)*	470,287	117,722	96,838	29,527	714,374
Expected credit losses *(RMB'000)*	2,963	2,178	3,467	4,515	13,123

None of the bills receivable is either past due or impaired. There was no recent history of default for bills receivable.

11. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**881,458**	626,732
Bills payable	**–**	11,090
	881,458	637,822

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:

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**671,096**	502,892
1 to 3 months	**171,715**	53,138
Over 3 months	**38,647**	81,792
	881,458	637,822

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

As at 31 December 2021, included in the trade and bills payables was an amount due to the Group's associate of RMB1,248,000 (2020: nil).

12. BUSINESS COMBINATIONS

Acquisition in 2021

On 4 October 2021, the Group acquired 100% equity interests in Zesty Paws. Zesty Paws, with its wholly-owned subsidiaries, ZP MZP, LLC and ZP AZ, LLP (together, "**Zesty Paws Group**"), is principally engaged in the business of marketing and selling nutritional supplements for cats and dogs marketed under the brand Zesty Paws. The purchase consideration for the acquisition was USD613,256,000 (approximately RMB3,961,876,000), of which USD610,152,000 (approximately RMB3,941,827,000) has been paid by 31 December 2021.

The fair values of the identifiable assets and liabilities of Zesty Paws Group at the date of acquisition were shown below:

	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	561
Intangible assets	1,750,342
Inventories	174,317
Trade receivables	50,098
Prepayments, other receivables and other assets	2,499
Cash and cash equivalents	15,847
Trade payables	(27,541)
Other payables and accruals	(16,029)
Total identified net assets at fair value	1,950,094
Goodwill on acquisition	2,011,782
Total consideration	3,961,876
Satisfied by:	
Cash	3,941,827
Other payables	20,049
	3,961,876

The purchase price allocation of Zesty Paws Group is still preliminary, pending the finalisation of the valuation of certain intangible assets, and the determination of the tax basis of the assets and liabilities acquired.

The Group incurred transaction costs of RMB27,151,000 for this acquisition. These transaction costs have been expensed and were included in administrative expenses in profit or loss. The Group has paid the transaction costs of RMB23,420,000 by the end of 31 December 2021.

An analysis of the cash flows in respect of the acquisition of Zesty Paws Group for the year ended 31 December 2021 is as follows:

	RMB'000
Cash consideration	3,941,827
Cash and bank balances acquired	(15,847)
Net outflow of cash and cash equivalents included in cash flows from investing activities	3,925,980
Transaction costs of the acquisition included in cash flows from operating activities	23,420
	3,949,400

Since the acquisition, Zesty Paws Group contributed RMB190,105,000 to the Group's revenue and a loss of RMB13,215,000 to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB12,034,959,000 and RMB571,939,000, respectively.

Acquisition in 2020

On 12 December 2020, the Group acquired 100% equity interests in Solid Gold Pet, LLC ("**Solid Gold**"). Solid Gold is principally engaged in the sale of natural and holistic pet nutrition and care products worldwide. The purchase consideration for the acquisition of USD167,845,000 (approximately RMB1,097,789,000) has been paid by 31 December 2020.

As at 31 December 2020, the purchase price allocation of Solid Gold was incomplete, pending on the finalisation of valuation of certain assets and liabilities and the determination of the tax bases of the assets and liabilities acquired.

During the year ended 31 December 2021, the valuation of these assets and liabilities has been completed, and the purchase price allocation has been completed as follows:

	Preliminary fair value recognised on acquisition *RMB'000*	**Final fair value recognised on acquisition** *RMB'000* (Restated)
Property, plant and equipment	1,579	1,579
Intangible assets	–	646,430
Inventories	22,699	22,699
Trade receivables	55,964	55,964
Prepayments, other receivables and other assets	17,366	17,366
Cash and cash equivalents	18,588	18,588
Trade payables	(26,894)	(26,894)
Other payables and accruals	(38,126)	(38,126)
Contract liabilities	(879)	(879)
Total identified net assets at fair value	50,297	696,727
Goodwill on acquisition	1,047,492	401,062
Total consideration	1,097,789	1,097,789
Satisfied by:		
Cash	1,097,789	1,097,789

The Group incurred transaction costs of RMB12,758,000 for this acquisition. These transaction costs have been expensed and were include in administrative expenses in profit or loss. The Group has paid the transaction costs of RMB8,069,000 by the end of 31 December 2020 and paid the remaining of RMB4,689,000 by the end of 31 December 2021.

An analysis of the cash flows in respect of the acquisition of Solid Gold for the year ended 31 December 2020 is as follows:

	RMB'000
Cash consideration	1,097,789
Cash and bank balances acquired	(18,588)
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,079,201
Transaction costs of the acquisition included in cash flows from operating activities	8,069
	1,087,270

The restatement did not have any impact on the consolidated statement of profit or loss and other comprehensive income or the earnings per share attributable to ordinary equity holders of the Company for the year ended 31 December 2020.

The impact on the consolidated statement of financial position is summarised below:

	As at 31 December 2020 *RMB'000*
Increase in intangible assets	644,888
Decrease in goodwill	(644,888)
Increase in total non-current assets	–

CHAIRMAN'S STATEMENT

In 2021, we achieved positive revenue growth on a reported basis as well as healthy profitability and cash flow. We continued our journey to become a global leader in premium nutrition and wellness supported by our three strategic business pillars – Baby Nutrition & Care ("**BNC**"), Adult Nutrition & Care ("**ANC**") and Pet Nutrition and Care ("**PNC**"). Our business footprint was further expanded by enhancing the unique positioning of our aspiring brands, accelerating the growth of our ANC and PNC segments, and entry into new markets. The consolidation of Zesty Paws revenue since the completion of acquisition on 4 October 2021 contributed an additional boost to our PNC pillar. Despite the birth rates decline and intensifying competition affecting BNC in mainland China, we also maintained healthy profitability for this business. Meanwhile, we remained no less committed to delivering profitable growth to our shareholders well into the future.

Our BNC segment contributed the largest proportion of our total revenue in 2021. Despite the market changing quickly in mainland China, with conditions mostly attributed to declining birth rates and constrained demand, our BNC segment continued to generate healthy cash flow as we proactively expanded our distribution into lower-tier cities within our infant milk formulas ("**IMF**") business, allowing us to maintain a stable market position. Further, according to Nielsen, an independent research data provider, the retail sales value of our super-premium cow milk IMF series grew by a robust 22.5% in 2021, maintaining its third-placed market share ranking of 11.1%. Nielsen also estimated that our goat milk IMF retail sales value grew by 33.6%, placing us at No.3 position in the category with an improved market share of 4.1%, further bolstering our momentum. Our effective strategy and strong brand positioning also saw our BNC segment maintain a healthy EBITDA.

Our probiotic supplements category, where Biostime continued to maintain the world's No. 1 brand positioning in the children probiotics and prebiotics supplements market, was negatively impacted by strong base effects in 2020, namely from an unprecedented demand for immunity support products during the pandemic, as well as declining birth rates and intensifying competition.

Outside the mainland China market, the BNC segment delivered a gratifying sales performance in other territories, especially in France where we recorded strong double-digit growth. Furthermore, we continued to retain our no.1 position in the organic IMF category within the French pharmacy channel with 40.3% market share by the end of 2021, according to an independent research data provider GERS.

In our ANC segment, our core markets delivered solid revenue growth, supported by an encouraging sales performance in mainland China and a turnaround in the Australia and New Zealand ("**ANZ**") market. Throughout the year, our ANC segment in mainland China saw robust growth in the normal trade channels, both online and offline, a result that directly correlates with our efforts to expand in innovative categories and introduce more blue hat SKUs compliant for normal trade. Swisse once again performed strongly during the 618 and Double 11 shopping festivals, proving its continued strong growth potential and maintaining its No.1 position in mainland China's online supplement market. Consequently, the EBITDA margin in mainland China contributed a larger portion of the total EBITDA margin in the ANC segment.

In ANZ, with the retail daigou channel unlikely to return in any significant form in the near term due to limited inbound arrivals, we quickly adapted and shifted our strategic focus to developing our domestically focused business. This resulted in a clear turnaround in our performance, a significant achievement given the many challenges we experienced including extended local COVID-related lockdowns.

Elsewhere, we continued to see strong momentum for our Swisse vitamin, herbal, and mineral supplement ("**VHMS**") products, particularly in Italy, Hong Kong SAR, United Kingdom, Malaysia, and India. Over the past two years, we have steadily expanded Swisse's global reach, entering 11 markets in total, leveraging our strong brand positioning. We are now seeing a growing contribution from developing markets and great future growth potential.

In 2021, our PNC segment demonstrated its significant potential to become our third growth pillar. Driven by the rapidly increasing pet population in the developed world, alongside the pet nutrition premiumization and pet humanizing trends that are becoming well established in major global markets, overall PNC revenue – mostly attributed to the Solid Gold brand – grew by strong double digits, despite being only present in the United States of America ("**US**") during the year under review and in mainland China since April 2021.

Further, in October 2021, we completed our acquisition of Zesty Paws, LLC, the leading online premium pet supplement brand, and highly disruptive category pioneer in the US. Despite only recently becoming an established part of the Group's business, Zesty Paws delivered double-digit growth. As such, our two PNC brands are demonstrating clear near-term growth potential and have already started to deliver synergies in terms of sales channels through both online and offline, supply chain, and customers and consumers.

Despite facing continued headwinds throughout the year, we continued to leverage our high cash conversion business model, diversified product categories and expanding territorial reach to steer the Group back to profitable growth, while maintaining a healthy liquidity position. At the same time, we continued to reward our shareholders with a consistent dividend policy. In 2021, our annual dividend payout ratio was 30% of adjusted net profit.

OUTLOOK: CONTINUE TO REALIZE OUR VISION OF BECOMING A GLOBAL LEADER IN PREMIUM NUTRITION AND WELLNESS

2022 looks to be no less challenging than 2021, especially for our BNC business. Yet we still expect our ANC and PNC businesses to continue their strong sales momentum and we remain confident about the long-term prospects of our product and geographic diversification strategy, as well as our ability to realize our vision of becoming a global leader in premium nutrition and wellness.

The performance of our cow milk IMF business will continue to be constrained by low birth rates and unfavorable regulatory impacts. Our goat milk IMF business is also likely to face increasingly fierce competition as more players enter the market. We will continue to stabilize our market position and the profitability of our IMF business through our distribution expansion while improving sales output per single outlet.

Elsewhere in our BNC segment, we aim to gradually turn around our probiotics business by launching several initiatives targeting distribution and customer education to boost sales revenue, while exploring new strategies aimed at customer acquisition and improving penetration in this category. Supported by our strategic initiatives and Biostime's world's No. 1 brand positioning in the children probiotics and prebiotics supplements market, we expect the probiotics business to return to its long-term growth trend.

Furthermore, we have successfully launched goat milk IMF in France, Biostime probiotics in the US, and Swisse adults and children's gummies in ANZ as well as markets in South-east Asia, which will further enhance our brand positioning in other territories. We will continue to drive our brands to enter innovative categories with greater channel synergies.

Growth in our ANC segment will further accelerate with a stable margin level. We will continue to target normal trade e-commerce and offline channels to grow our ANC business in mainland China while improving margins and continuing to introduce more blue hat SKUs and localized products. In ANZ, we will push forward with our initiatives that target the domestic market, reclaiming Swisse's leadership in key categories and channels. We also expect to see more contribution from our other territories as we continue to strategically globalize Swisse brands.

Most notably, PNC will become one of our major growth drivers going forward, with its growth rate likely to outpace that of our ANC and BNC segments in 2022. Over the short-to-medium term, most of this segment's profitability will be centered on the US market, with profit growth in mainland China curbed by the need for continued investment to establish a sustainable active sales model where Solid Gold and Zesty Paws can share business development know-how in the early stage of business expansion.

That said, mainland China will become an increasingly important market for Solid Gold in 2022 in terms of sales contribution. Solid Gold received seven new licenses in January to sell pet food products in the offline channel, which will propel its future growth.

Separately, Zesty Paws will remain mostly focused on the US market in the coming few years, leveraging its strong industry momentum and e-commerce expertise, especially on Amazon. We will progressively expand this brand to other global markets at a small scale at first, including to mainland China starting with CBEC channels.

Going forward, we might witness margin pressure on our businesses due to ongoing rising inflation. We will watch closely the impact from rising raw material and logistics costs on our profitability and aim to counteract this effect proactively through various initiatives, such as product mix optimization, selling price increase of selected SKUs based on market benchmarking, spending efficiency improvement, alternative sourcing, etc.

SUSTAINABILITY: AIMING FOR CONTINUAL IMPROVEMENT

Sustainability is an integral part of our strategy at H&H Group, and in 2021 we continued to embed improved Environmental, Social and Governance ("**ESG**") practices throughout our business. In 2021, our Morgan Stanley Capital International ("**MSCI**") ESG rating of 'A' and Hong Kong Quality Assurance Agency ("**HKQAA**") rating of 'A' for ESG performance were confirmed.

The call for global climate action was a significant topic among governments, policymakers, corporates, non-government organizations and concerned citizens in 2021. We are committed to contributing to global carbon neutrality through reducing carbon emissions throughout our operations, and financing carbon sequestration projects outside our value chain.

In 2021, we joined the Climate Ambition Accelerator program as part of the United Nations Global Compact, and 100% of our electricity consumption was covered by electricity from renewable sources. Our Group's carbon footprint is audited for Scope 1 and 2 emissions every year, which informs our assessment of our areas of improvement. This will be extended to Scope 3 emissions in 2022.

We are on track to achieve Group-wide B Corporation certification by 2025, and as part of this journey we aim to gain certification for our ANZ market in 2023. Sustainability targets will also continue to be incorporated in our executive team's KPIs tied to their compensation, and we are extending this sustainability incentivisation scheme to our senior managers in 2022.

Our sustainable business model is based on long-term growth that benefits our stakeholders, society, and the planet. I invite you to read our 2021 Sustainability Report which provides a comprehensive overview of our progress towards this shared value position.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

Revenue

For the year ended 31 December 2021, the Group's revenue reached RMB11,547.8 million, increasing 3.2% on reported basis as compared with 2020, mainly contributed by the continued healthy growth of the ANC and PNC businesses as well as the consolidation of Zesty Paws revenue since the completion of acquisition on 4 October 2021. On a like-for-like*Note* basis, the Group's revenue decreased by 3.8% mainly due to the birth rate decline and intensifying competition affecting the BNC business in mainland China.

	Year ended 31 December				% to revenue	
	2021	2020	Reported Change	LFL Change	**2021**	2020
	RMB million	*RMB million*				
Revenue by product segment						
Baby nutrition and care products	**6,612.2**	7,301.0	-9.4%	-9.4%	**57.3%**	65.2%
– Infant formulas	**5,146.4**	5,244.2	-1.9%	-1.9%	**44.6%**	46.8%
– Probiotic supplements	**964.4**	1,395.7	-30.9%	-30.9%	**8.4%**	12.5%
– Other pediatric products	**501.4**	661.1	-24.2%	-24.2%	**4.3%**	5.9%
Adult nutrition and care products	**4,209.2**	3,867.5	8.8%	6.9%	**36.4%**	34.5%
Pet nutrition and care products	**726.4**	26.2	2,668.1%	N/A	**6.3%**	0.3%
Revenue by geography						
Mainland China	**9,084.6**	9,276.1	-2.1%	-5.3%	**78.7%**	82.8%
ANZ	**1,307.4**	1,238.4	5.6%	3.8%	**11.3%**	11.1%
Other Territories	**1,155.8**	680.2	69.9%	3.8%	**10.0%**	6.1%
Total	**11,547.8**	11,194.7	3.2%	-3.8%	**100.0%**	100.0%

Mainland China: Focusing on Channel and Product Portfolio expansion to Deepen Penetration

Mainland China remains the Group's largest revenue contributor, which accounted for 78.7% of the Group's total revenue in 2021. However, as alluded to earlier, the market is changing quickly, with conditions in 2021 differing significantly from those experienced in 2020 despite the ongoing pandemic. Revenue from mainland China dropped by 5.3% on a LFL basis to RMB9,084.6 million for the year ended 31 December 2021, compared with last year. The decrease was due to the BNC sales decline, mostly attributed to the drop of probiotics sales, while ANC and PNC businesses in mainland China market continued to deliver robust revenue growth.

Note: Like-for-like ("**LFL**") basis is used to indicate change of this period compared with same period of previous year, excluding the impact from merger & acquisition and foreign exchange changes.

In BNC segment, total revenue decreased by 10.8% to RMB6,157.6 million for the year ended 31 December 2021 compared with last year. The revenue from IMF in Mainland China amounted to RMB4,983.3 million for the year ended 31 December 2021, decreased by 2.7% compared with last year. Including the bonus stock granted, gross sales of the IMF products being sold in the mainland China market grew by 7.0% during the year ended 31 December 2021 compared with last year. Competition in the IMF market is becoming ever more intense as lower birthrates continue to bite, a long-term structural issue that the entire industry is grappling with. The Group proactively expanded its distribution into low-tier cities within its IMF business, allowing the Group to maintain a stable market position of 5.8% of the overall mainland China cow milk IMF market for the twelve months ended 31 December 2021. According to Nielsen, an independent research data provider, the retail sales value of the Group's super-premium cow IMF series in mainland China market grew by a robust 22.5% in 2021, maintaining its third-placed market share ranking of 11.1%. Looking forward into 2022, the Group will continue to stabilize its market position and the profitability of its IMF business through its distribution expansion strategy while improving sales output per single outlet.

Amidst this, green shoots were still present in the Group's IMF segment. Revenue from goat milk IMF grew by an impressive 42.7% in 2021 as the Group saw strong consumer demand toward this category made goat milk one of the most dynamic parts of mainland China's overall IMF market. As a result, goat milk accounted for 9.1% of the total IMF revenue generated from mainland China market in 2021, up from 6.2% in 2020. According to Nielsen, the retail sales value of the Group's goat milk IMF in mainland China market grew by 33.6%, with market share improving to No. 3 with 4.1%.

The Group's probiotic supplements continued to maintain the No. 1 positioning in the global paediatric probiotic supplements market and children probiotic supplements market. For the year ended 31 December 2021, the Group recorded revenue from probiotic supplements in mainland China of RMB956.7 million, decreasing by 31.1% compared with last year as it suffered from strong base effects in 2020, especially in the first half of 2020, during which sales grew by more than 40% year-on-year, namely from an unprecedented demand for immunity support products in the first quarter of 2020 during the first stage of the pandemic. In addition, the entrance of more competitors placed extra pressure on probiotic sales across all channels. The Group expects its probiotic supplements business to gradually return to its long-term growth trend in 2022, driven by launching several initiatives targeting distribution and customer education to boost sales revenue while exploring new strategies aimed at customer acquisition such as improving penetration in this category.

Revenue from other pediatric products segment in mainland China decreased by 44.6% to RMB217.6 million for the year ended 31 December 2021 compared with last year. Sales of Dodie branded diaper decreased by 42.8% to RMB208.1 million for the year ended 31 December 2021 compared with last year. The decrease was mainly due to the focus shift from volume growth to profitability improvement for this category.

In ANC segment, on a LFL basis, mainland China active sales continued to maintain its double-digit growth of 10.8% as compared with last year, and accounted for 63.5% of total ANC revenue for the year ended 31 December 2021. The normal trade business achieved high double-digit growth supported by the Group's continuously expanding range of blue hat SKUs and localized products. Meanwhile, CBEC business also recorded decent growth in 2021, although sales in the second half of the year were impacted by tighter inventory policies adopted by major CBEC platforms. Swisse once again performed strongly during the 618 and Double 11 shopping festivals, achieving double-digit growth, proving its continued strong growth potential in the mainland China market on the base of solid underlying consumer demand. In 2021, Swisse maintained its No.1 position in mainland China's online supplement market with a market share of 5.9%. The Group will continue to target normal trade e-commerce and offline normal trade channels to grow its ANC business in mainland China while improving margins and continuing to introduce more blue hat SKUs and localized products.

ANZ: Capturing of More Local Demand Propels Turnaround in Performance

On a LFL basis, revenue from ANZ market segment amounted to AUD269.8 million for the year ended 31 December 2021, representing an increase of 3.8% compared with the year ended 31 December 2020.

The Group's focus in ANZ market has pivoted firmly towards capturing local consumer demand for wellness and immunity-support products. To this end, the Group rapidly expanded its presence in offline retail stores and pharmacies across the region. The Group launched 12 99% sugar free Gummies SKUs in ANZ market starting with kids series in Q4 2020, followed by adult series in Q2 2021. The Group also expanded its local VHMS range with the recent launch of Swisse Earth, a range of powdered blends made up of local superfoods sourced exclusively and sustainably, including native ingredients such as Kakadu plum, finger lime, Davidson Plum, and quandong. Through the Swisse Earth range, the Group is also giving back to the community through a meaningful partnership with the Mamabulanjin Aboriginal Corporation. Both of these innovative and unique product ranges have proven to be highly effective in expanding the Group's local market share and will go some way to protect its overall market share in the absence of meaningful individual daigou activity.

The Group also leveraged the introduction of unique product ranges to kickstart the growth of its BNC business in the ANZ market. In 2021, Biostime became the first brand to launch IMF and infant supplements with advanced nutrient Human Milk Oligosaccharides ("**HMO**") in the Australian market, as the Group targeted local demand for baby nutrition and wellness. While still in the investment stage, BNC revenue grew a strong 55.6% on a LFL basis in 2021 compared with last year.

Revenue from the corporate daigou channel and retail channels accounted for 31.1% and 68.9% of the total ANZ business, respectively.

Other Territories: Growing Contribution from Developing Markets, Seeding Strong Future Growth Potential

For the year ended 31 December 2021, revenue from other territories achieved strong growth of 69.9% on reported basis, and accounted for 10.0% of the Group's total revenue. On a LFL basis excluding the consolidation of Zesty Paws and Solid Gold revenue since the completion of acquisition on 4 October 2021 and 12 December 2020 respectively, revenue contributed from other territories increased by 3.8% year-on-year in the year ended 31 December 2021. The Group continued to see strong market momentum for Swisse VHMS products and Biostime IMF series around the world, particularly in France, Hong Kong SAR, United Kingdom, Malaysia, and India. Furthermore, the Group continued to retain our no.1 position in the organic IMF category within the French pharmacy channel.

With an eye on the future, the Group also expanded into Thailand, Indonesia, and Taiwan (China) during the year under review with an upcoming launch in Vietnam in the Group's pipeline for 2022.

PNC: Rapidly Becoming the Group's Third Growth Pillar

In 2021, the Group's new PNC business amply demonstrated its incredible potential to become the Group's third growth pillar. Driven by the rapidly increasing pet population in the developed world, alongside the pet nutrition premiumization and pet humanizing trends that are becoming well established in major global markets, overall PNC revenue – mostly attributed to the Solid Gold brand, which was acquired by the Group in late 2020 – grew by strong double digits on LFL basis, despite being mainly present in the US market during 2021 and in the mainland China market since April 2021.

Solid Gold saw solid double-digit growth in the US, performing well both online and offline and benefiting from the continued channel and portfolio expansion, high rates of pet adoption and growing consumer spending on premium pet nutrition. Including mainland China which is also seeing the same growth tailwinds and fueled by strong debut in the 618 and Double 11 shopping festivals, Solid Gold achieved the total sales of RMB536.3 million in 2021.

Revenue of Zesty Paws which was consolidated in the group's financial results post deal closing was RMB190.1 million for the period from 4 October 2021 to 31 December 2021. The full-year sales of Zesty Paws for the year ended 31 December 2021 on the stand-alone basis reached US$105.0 million, a new record high level with strong increase of 43.6% compared with last year. Zesty Paws continued to rank no.1 position among Amazon and Chewy, with market positions of 15.9% and 17.7%, respectively.

Gross profit and gross profit margin

In 2021, the Group recorded gross profit of RMB7,248.0 million, a slight increase of 0.8% compared with last year. The Group's gross profit margin decreased from 64.2% in 2020 to 62.8% in 2021, mainly due to the product mix changes in BNC.

The gross profit of BNC segment decreased by 10.1% to RMB4,283.5 million in 2021 compared with that of last year. The gross profit margin of BNC segment decreased from 65.3% in 2020 to 64.8% in 2021 mainly due to the lower revenue proportion from the high-margin probiotic supplements. The respective gross profit margin levels of IMF, probiotic supplements and other pediatric products remained stable thanks to effective measures taken to successfully mitigate the raw material cost increase pressure.

On a LFL basis, the gross profit for ANC segment increased by 8.6% to AUD549.9 million in 2021, compared with last year. The gross profit margin of the ANC segment increased from 62.3% in 2020 to 63.3% in 2021, mainly resulting from the decreased stock provision owing to continued improvement in inventory management.

The gross profit margin of PNC segment was 41.3%, including Solid Gold and Zesty Paws following the consolidation of Zesty Paws financial statements for the period from 4 October 2021 to 31 December 2021. Excluding the impact on cost of good sold ("**COGS**") of RMB48.4 million 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 was 47.9%.

Other income and gains

Other income and gains amounted to RMB108.4 million for the year ended 31 December 2021. Other income and gains primarily consisted of gains on sales of raw materials of RMB25.7 million, government subsidies of RMB35.1 million, non-cash gains on early termination of leases of RMB18.6 million in relation to the early terminated lease of warehouse in Sydney, Australia, interest income of RMB11.9 million from bank deposit, loans and bonds receivables 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**"), selling and distribution costs increased by 7.3% to RMB4,796.3 million for the year ended 31 December 2021, as compared with 2020. Selling and distribution costs excluding D&A as a percentage of the Group's revenue increased from 40.0% in 2020 to 41.5% in 2021 mainly due to higher channel investment required for BNC China amid declining birth rate and intensifying competition.

BNC

Selling and distribution costs of BNC business amounted to RMB2,744.7 million in the year ended 31 December 2021, which decreased slightly by 2.1% as compared with last year. Selling and distribution costs of BNC business as a percentage of its revenue increased by 3.1 percentage points from 38.4% in 2020 to 41.5% in 2021.

Advertising and marketing expense of BNC business as a percentage of its revenue decreased slightly from 13.5% in 2020 to 12.0% in 2021. Selling and distribution costs other than advertising and marketing expense of BNC business as a percentage of its revenue increased to 29.5% in 2021 from 24.9% of last year mainly due to higher channel investment required for BNC China amid declining birth rate and intensifying competition. The increase was also due to a low base in the first half of last year when many selling activities in China offline channels were paused during the peak time of COVID-19 pandemic.

ANC

Selling and distribution costs of ANC business amounted to RMB1,776.4 million in the year ended 31 December 2021, represented an increase of 6.8% as compared with last year. Selling and distribution costs of ANC business as a percentage of its revenue decreased by 0.8 percentage points from 43.0% in 2020 to 42.2% in 2021 thanks to the continuous efforts made to improve spending efficiency.

Advertising and marketing expense of ANC business as a percentage of its revenue remained flat at 30.0% in 2021, compared with 2020. The selling and distribution costs other than advertising and marketing expense of ANC business as a percentage to its revenue decreased from 13.0% in 2020 to 12.2% in 2021 resulting from the effective measures taken in all markets especially in mainland China and ANZ to improve the spending efficiency.

PNC

Selling and distribution costs of PNC business as a percentage of its revenue was 37.9% for the year ended 31 December 2021, consolidating the financial statements of Zesty Paws and Solid Gold since the completion of acquisition on 4 October 2021 and 12 December 2020, respectively.

Administrative expenses

Administrative expenses increased by 2.5% from RMB679.1 million in 2020 to RMB695.7 million for the year ended 31 December 2021. Administrative expenses as a percentage of the Group's revenue declined slightly to 6.0% in 2021 from 6.1% in 2020.

Other expenses

Other expenses for the year ended 31 December 2021 amounted to RMB554.3 million. Other expenses mainly included net foreign exchange losses of RMB146.7 million, net fair value losses on the financial instruments of RMB139.0 million, R&D expenditure of RMB144.0 million, and non-cash impairment of goodwill of RMB76.0 million in relation to the acquisition of Changsha China IMF manufacturing plant in 2013.

During the year ended 31 December 2021, R&D expenditure increased by 3.6% as compared with last year.

The net foreign exchange losses of RMB146.7 million mainly represented non-cash losses from the revaluation on intragroup loans. The non-cash fair value losses on financial instruments of RMB139.0 million was mainly caused by the fair value loss on early redemption option embedded in the senior notes, the warrants issued by Else Nutrition Holdings Inc., and the cross currency swap and cross currency interest rate swap agreements for the Group's long-term debt.

EBITDA and EBITDA margin

Adjusted EBITDA achieved RMB1,851.9 million for the year ended 31 December 2021, decreased by 10.3% compared with the year ended 31 December 2020. Adjusted EBITDA margin for year ended 31 December 2021 decreased from 18.4% in 2020 to 16.0% in 2021, mainly due to the decrease in gross profit margin resulting from the unfavorable product mix changes in BNC and increased selling and distribution costs as a percentage of the Group's revenue resulting from higher channel investment required for BNC China amid declining birth rate and intensifying competition.

EBITDA for the year ended 31 December 2021 amounted to RMB1,428.9 million, decreased by 33.7% from RMB2,156.8 million for the year ended 31 December 2020.

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

	Year ended 31 December	
	2021	2020
	RMB million	*RMB million*
EBITDA	**1,428.9**	2,156.8
Reconciled by:		
<u>Non-cash items*:</u>		
(1) Net foreign exchange losses/(gains)	**146.7**	(56.5)
(2) Net fair value losses/(gains) on financial instruments	**139.0**	(26.2)
(3) Impairment of goodwill in relation to the acquisition of Changsha China IMF manufacturing plant in 2013	**76.0**	–
(4) Impairment of right-of-use assets in relation to the sub-leased warehouse in Sydney Australia following the supply chain model optimization	**–**	13.5
<u>Non-recurring items*:</u>		
(5) Impact on COGS in relation to the one-time mark-to-market increase for the value of inventory in the acquisition of Zesty Paws	**48.4**	–
(6) Transaction costs in relation to M&A	**27.2**	19.1
(7) One-time restructuring costs including gains on early termination of leases	**(14.3)**	20.5
(8) Stock write-off costs in relation to supply chain model optimization in Australia and U.S.	**–**	29.3
(9) One-time employment relief benefits received from government authorities following COVID-19 outbreak	**–**	(91.3)
Adjusted EBITDA	**1,851.9**	2,065.2

* 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 2021, the Group incurred finance costs of RMB285.1 million, representing a decrease of 0.5% compared with 2020. The finance costs for the year ended 31 December 2021 included interests for the interest-bearing bank loans and senior notes of RMB256.0 million, increasing by 10.4% compared with last year due to the incremental interest-bearing bank loans with principle of US$500 million in relation to the acquisition of Zesty Paws. The finance costs for the year ended 31 December 2021 also included the one-off amortized loss of interest rate swap in relation to the previous term loan of RMB21.4 million and others.

Income tax expense

Income tax expense decreased by 27.0% from RMB468.0 million in 2020 to RMB341.7 million in 2021. The effective tax rate increased from 29.2% in 2020 to 40.2% in 2021, mainly due to the increase of non-deductible non-cash losses including goodwill impairment, net foreign exchange losses and net fair value losses on financial instruments. Excluding the non-cash losses including goodwill impairment, net foreign exchange losses and net fair value losses on financial instruments, the normalized effective tax rate decreased to 28.2% in 2021 from 29.8% in 2020.

Net profit and adjusted net profit

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

	Year ended 31 December	
	2021	2020
	RMB million	*RMB million*
Net profit	**508.5**	1,136.7
Reconciled by:		
EBITDA adjusted items as listed above	**423.0**	(91.6)
Non-cash item*:		
One-off amortized loss of interest rate swap for previous term loan	**21.4**	42.5
Adjusted net profit	**952.9**	1,087.6

* 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 2021, the Group recorded net cash generated from operating activities of RMB1,890.1 million, resulting from pre-tax cash from operations of RMB2,223.7 million, minus income tax paid of RMB333.6 million.

Investing activities

For the year ended 31 December 2021, net cash flows used in investing activities amounted to RMB4,010.6 million, primarily resulted from payment in relation to acquisition of Zesty Paws of RMB3,926.0 million, purchases of property, plant and equipment and intangible assets of RMB106.6 million, strategic investments mainly made by the Group's solely-owned NewH[2] fund of RMB51.5 million, further investment in Cooperative Isigny Sainte-Mère ("**ISM**") of RMB80.4 million for an increase of the Group's shareholding in ISM to 49.9%, partially offsetting by repayment of RMB133.6 million from ISM for the Group's bond receivable and others.

Financing activities

For the year ended 31 December 2021, net cash flows from financing activities amounted to RMB2,768.4 million. The cash inflows were primarily related to the net proceed from the incremental facility loan and bridge loan of RMB3,513.8 million in relation to the acquisition of Zesty Paws. The cash inflows were offset by the interest paid for interest-bearing bank loans and senior notes of RMB257.8 million, the dividend paid to the Group's shareholders of RMB407.5 million, and payment of lease liabilities of RMB56.4 million and others.

Cash and bank balances

As of 31 December 2021, cash and cash equivalents as stated in the consolidated statement of financial position amounted to RMB2,400.1 million.

Interest-bearing bank loans and senior notes

As of 31 December 2021, the Group's outstanding interest-bearing bank loans amounted to RMB7,436.8 million, including current portion of RMB3,125.7 million. The total carrying amount of the senior notes as of 31 December 2021 was RMB1,938.5 million, including current portion of RMB19.8 million.

As of 31 December 2021, the net leverage ratio increased to 3.77 from 2.03 of last year, calculated by dividing the net debts[Note] by Adjusted EBITDA for the year ended 31 December 2021. Gearing ratio increased to 46.2% from 35.0% as of 31 December 2020, calculated by dividing the sum of the carrying amount of senior notes and interest-bearing bank loans by total assets.

As at 31 December 2021, the Group recorded net current liabilities of RMB1,308.5 million, which was mainly resulted from the bridge loan (the "**Bridge Loan**") with the principal amount of US$350 million obtained for the acquisition of 100% equity interest in Zesty Paws. The Group is in the process of refinancing the Bridge Loan by a new syndicated term loan. Up to the date of this announcement, the Group has obtained internal credit approvals from certain banks relating to the new syndicated loan. The Company believes that the Group will be able to secure the refinancing of the Bridge Loan in due course. At the same time it will be able to continue to generate positive cash flows from its operations before the Bridge Loan falls due. On this basis, the Company considers that the Group is able to meet in full its financial obligations as they fall due in the coming 12 months.

Note: Net debts = interest bearing bank loans + senior notes – cash and bank balances

Working capital

Advance payment is normally required for the sale in mainland China, except for limited circumstances. The Group usually allows credit sales in oversea markets outside mainland China, with 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 31 days for the year ended 31 December 2020 to 24 days for the year ended 31 December 2021, resulting mainly from the stricter credit terms control post COVID-19 pandemic. The average turnover days of trade payables decreased from 66 days for the year ended 31 December 2020 to 64 days for the year ended 31 December 2021, resulting mainly from the supply chain agility improvement.

The inventory turnover days increased by 11 days to 169 days for the year ended 31 December 2021, from 158 days for the year ended 31 December 2020. The average turnover days of BNC products increased from 136 days for the year ended 31 December 2020 to 186 days for the year ended 31 December 2021, mainly due to the lower than expected sales of IMF and probiotic supplements products. The average turnover days of ANC products decreased from 194 days for the year ended 31 December 2020 to 156 days for the year ended 31 December 2021, mainly resulting from the continuous inventory management improvement efforts during the COVID-19 pandemic. The inventory turnover days of PNC products was 125 days for the year ended 31 December 2021.

DIVIDEND

After taking full consideration of the Group's financial position, net cash flow and capital expenditures, the Board of Directors is pleased to recommend the payment of a final dividend of HKD0.17 per ordinary share for the year ended 31 December 2021. Taking into account of the interim dividend of HKD0.37 per ordinary share in respect of the six months ended 30 June 2021 paid in October 2021, the annual dividend will amount to HKD0.54 per ordinary share, representing approximately 30% of the Group's adjusted net profit for the year ended 31 December 2021.

Subject to approval at the forthcoming annual general meeting on Friday, 13 May 2022, the said final dividend will be payable on or about Tuesday, 12 July 2022 to shareholders whose names appear on the register of members of the Company on Monday, 23 May 2022.

SIGNIFICANT BUSINESS DEVELOPMENT AFTER THE END OF THE REPORTING PERIOD

On 11 January 2022 (the "**Adoption Date**"), pursuant to the resolution of the board of directors, a new share award scheme (the "**2022 Share Award Scheme**") has been adopted, the purpose of which are to recognise the contributions by certain eligible participants, 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 of directors shall not make any further award which will result in the number of ordinary shares administered under the Scheme to exceed in total 10% of the Company's issued share capital as at the Adoption Date.

The 2022 Share Award Scheme shall terminate on the earlier of (i) the tenth anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the board of directors, provided that such termination shall not affect any subsisting rights of any selected participant(s).

ADDITIONAL DISCLOSURES

Compliance with Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements and has instituted guidelines to staff on compliance with laws and regulations. The Group's business has extended to selected countries in Europe, Asia and North America and our operations accordingly shall comply with the relevant laws and regulations in these jurisdictions. During the year ended 31 December 2021 and up to the date of this announcement, the Group has complied with all the relevant laws and regulations in the jurisdictions where it operated.

Environmental Policies

The Group does not mainly engage in production activities and therefore its operations do not generally result in pollution issues. The Group strives to strengthen its environmental protection efforts on conserving resources and managing waste from its business activities.

The materials which the Group purchases are carefully considered, so the Group is not only offsetting our emissions, but funding programs that have many benefits for the community. The Group nourishes the environment through our carbon offsetting programs in Australia and Carbon Neutral status, verified through the Australian Government's National Carbon Offset Standard.

Relationship with Employees

The Group values its employees and recognizes the importance of personal development of its employees. The Group strives to motivate employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides regular training sessions for its employees for their continuous professional development in areas such as managerial skills, communication skills, sales and quality control.

Relationship with Customers

The Mama100 membership program offers extensive membership services to the Group's consumers. There are service hotlines for its members to obtain updated information such as parenting tips and products information. Through this program, the Group is able to get feedback from the consumers and better understand consumer needs and demands.

Relationship with Suppliers

The Group has developed long-standing and good relationships with its global suppliers. The Group also participates in joint research and development projects with certain suppliers to further explore and improve the products to be offered. The Group works together with its suppliers to ensure that we share our commitment to product quality.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the 2022 Annual General Meeting

The forth coming annual general meetings will be held on Friday, 13 May 2022 (the "**2022 AGM**"). The register of members of the Company will be closed from Tuesday, 10 May 2022 to Friday, 13 May 2022, 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 2022 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 6 May 2022.

(b) Entitlement to the proposed final dividend

The register of members of the Company will be closed from Thursday, 19 May 2022 to Monday, 23 May 2022, 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, 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, 18 May 2022.

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 14 to 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 2021, the Company has complied with all the code provisions contained in the CG Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 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 throughout the year ended 31 December 2021.

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 2021.

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

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") was established on 25 November 2010 in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely, Mr. Wang Can, 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. Mr. Wang Can, who has appropriate professional qualifications and experience in accounting matters, 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 2021 and the annual results for the year ended 31 December 2021, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and the annual report for the year ended 31 December 2021, 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 2021, consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 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

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 2021.

After the end of the year ended 31 December 2021, based on the Company's instructions, the trustee of the share award scheme adopted by the Company on 11 January 2022 (the "**2022 Share Award Scheme**") has purchased on the Stock Exchange a total of 500,000 ordinary shares of the Company at a total consideration of HKD6,690,070 and a total of 500,000 ordinary shares of the Company at a total consideration of HKD6,662,690 on 13 January 2022 and 14 January 2022 respectively in accordance with the rules of the 2022 Share Award Scheme.

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 2021 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company 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, 22 March 2022

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