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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023	2022	*Change*
	RMB million	*RMB million*	
	(Unaudited)	(Unaudited)	
Revenue	**6,980.8**	5,955.4	*17.2%*
Gross profit	**4,262.4**	3,691.5	*15.5%*
EBITDA*	**1,397.9**	1,079.4	*29.5%*
Adjusted EBITDA*	**1,309.5**	1,056.1	*24.0%*
Adjusted EBITDA margin	**18.8%**	17.7%	*1.1pts*
Net profit	**608.0**	475.1	*28.0%*
Adjusted Net profit**	**513.4**	482.9	*6.3%*
Adjusted net profit margin	**7.4%**	8.1%	*-0.7pts*

* EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA = EBITDA – Non-cash gains of RMB88.4 million for the six months ended 30 June 2023 (six months ended 30 June 2022: gains of RMB46.8 million) + Non-recurring gain of nil for the six months ended 30 June 2023 (six months ended 30 June 2022: losses of RMB23.5 million)

** Adjusted net profit = Net profit – EBITDA adjustment items of gains of RMB88.4 million for the six months ended 30 June 2023 (six months ended 30 June 2022: gains of RMB23.3 million) – Other non-cash gains of RMB6.2 million for the six months ended 30 June 2023 (six months ended 30 June 2022: losses of RMB31.1 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 unaudited interim consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**6,980,848**	5,955,447
Cost of sales		**(2,718,402)**	(2,263,980)
Gross profit		**4,262,446**	3,691,467
Other income and gains	*5*	**156,494**	91,660
Selling and distribution costs		**(2,641,137)**	(2,433,297)
Administrative expenses		**(412,437)**	(314,910)
Other expenses		**(104,135)**	(101,040)
Finance costs		**(357,996)**	(252,276)
Share of losses of associates		**(83)**	(200)
PROFIT BEFORE TAX	*6*	**903,152**	681,404
Income tax expense	*7*	**(295,138)**	(206,291)
PROFIT FOR THE PERIOD		**608,014**	475,113

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**37,173**	281,951
Reclassification adjustments for losses included in profit or loss	**(56,935)**	(191,597)
Income tax effect	**9,279**	2,139
	(10,483)	92,493
Hedge of net investments:		
Effective portion of changes in fair value of hedging instruments arising during the period	**100,826**	3,041
Exchange differences on translation of foreign operations	**(31,269)**	33,498
Exchange differences on net investment in foreign operations	**53,024**	(134,549)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**112,098**	(5,517)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		**4,063**	(40,855)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**116,161**	(46,372)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**724,175**	428,741
Profit attributable to owners of the parent		**608,014**	475,113
Total comprehensive income attributable to owners of the parent		**724,175**	428,741
		RMB	*RMB*
		(Unaudited)	(Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**0.95**	0.74
Diluted		**0.95**	0.74

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**378,167**	388,382
Right-of-use assets		**139,458**	142,720
Goodwill		**7,881,391**	7,684,093
Intangible assets		**5,691,702**	5,639,307
Bonds receivable		**–**	74,229
Deposits		**71,539**	61,842
Investment in associates		**152,052**	152,135
Deferred tax assets		**589,569**	637,800
Derivative financial instruments		**114,763**	128,081
Other non-current financial assets		**200,409**	195,017
Total non-current assets		**15,219,050**	15,103,606
CURRENT ASSETS			
Inventories		**2,682,708**	2,587,701
Trade and bills receivables	*10*	**951,212**	769,051
Prepayments, other receivables and other assets		**215,401**	179,304
Bonds receivable		**78,771**	–
Derivative financial instruments		**72,378**	8,936
Restricted deposits		**17,437**	10,767
Cash and cash equivalents		**2,137,724**	2,303,660
Total current assets		**6,155,631**	5,859,419
CURRENT LIABILITIES			
Trade payables	*11*	**986,886**	1,340,970
Other payables and accruals		**2,092,617**	2,199,256
Contract liabilities		**72,075**	266,613
Lease liabilities		**23,739**	21,960
Senior notes		**20,760**	19,411
Interest-bearing bank loans		**1,447,600**	967,242
Tax payable		**234,573**	319,431
Dividend payables		**224,425**	–
Total current liabilities		**5,102,675**	5,134,883
NET CURRENT ASSETS		**1,052,956**	724,536

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2023

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**16,272,006**	15,828,142
NON-CURRENT LIABILITIES		
Senior notes	**2,001,509**	1,886,148
Interest-bearing bank loans	**6,622,959**	6,695,491
Other payables and accruals	**5,783**	5,287
Lease liabilities	**76,209**	79,183
Derivative financial instruments	**64,327**	183,749
Deferred tax liabilities	**838,757**	836,431
Total non-current liabilities	**9,609,544**	9,686,289
Net assets	**6,662,462**	6,141,853
EQUITY		
Issued capital	**5,519**	5,519
Other reserves	**6,656,943**	5,915,617
Proposed dividend	**–**	220,717
Total equity	**6,662,462**	6,141,853

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These unaudited interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the revised International Financial Reporting Standards ("**IFRSs**") (which also include International Accounting Standards ("**IASs**") and Interpretations) as disclosed in note 3 below.

These unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised IFRSs for the first time for the current period's financial information:

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
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*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

    Prior to the initial application of these amendments, the Group recognised a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases on a net basis. Upon initial application of these amendments, the Group separately recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The amendments did not have any significant impact on the Group's interim condensed consolidated financial information.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

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 pediatric products segment and the pet nutrition and care products segment. During the period, 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 pediatric 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 of infant formulas for children under seven years old and milk formulas for expectant and nursing mothers;

(b) the probiotic and nutritional supplements segment comprises the production of probiotic supplements and nutrition 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 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 six months ended 30 June 2023 (Unaudited):

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

Operating segment information for the six months ended 30 June 2022 (Unaudited):

	Infant formulas *RMB'000*	Probiotic and nutritional supplements *RMB'000* (Restated)	Adult nutrition and care products *RMB'000*	Other pediatric products *RMB'000* (Restated)	Pet nutrition and care products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	2,462,057	499,132	2,046,428	222,658	725,172	–	5,955,447
Segment results	1,551,426	393,957	1,302,854	111,172	332,058	–	3,691,467
Reconciliations:							
Interest income							9,508
Other income and unallocated gains							82,152
Share of loss of an associate							(200)
Corporate and other unallocated expenses							(2,849,247)
Finance costs							(252,276)
Profit before tax							681,404
Other segment information:							
Depreciation and amortisation	9,754	2,486	44,037	4,693	34,729	59,588	155,287
Impairment of trade receivables	–	–	21,109	9,885	–	–	30,994
Write-down/(write-back) of inventories to net realisable value	64,511	8,078	56,794	(8,711)	14,373	–	135,045
Capital expenditure*	10,210	1,658	8,382	3,018	8,182	1,193	32,643

* 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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**5,076,109**	4,394,592
Australia and New Zealand	**829,624**	692,539
North America	**736,505**	570,979
Other locations#	**338,610**	297,337
	6,980,848	5,955,447

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

(b) ***Non-current assets***

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**450,869**	468,274
Australia and New Zealand	**2,368,790**	2,368,711
North America	**2,573,918**	2,503,439
Other locations#	**1,039,341**	1,043,962
	6,432,918	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 Hong Kong Special Administrative Region ("**Hong Kong SAR**") of the People's Republic of China (the "**PRC**").

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of the revenue is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	**6,980,848**	5,955,447

Disaggregated revenue information

For the six months ended 30 June 2023 (unaudited)

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

For the six months ended 30 June 2022 (unaudited)

Segments	Infant formulas *RMB'000*	Probiotic and nutritional supplements *RMB'000* (Restated)	Adult nutrition and care products *RMB'000*	Other pediatric products *RMB'000* (Restated)	Pet nutrition and care products *RMB'000*	Total *RMB'000*
Geographical markets						
Mainland China	2,381,436	494,781	1,250,602	99,889	167,884	4,394,592
Australia and New Zealand	18,823	628	673,088	–	–	692,539
North America	–	424	13,424	–	557,131	570,979
Other locations*	61,798	3,299	109,314	122,769	157	297,337
Total	2,462,057	499,132	2,046,428	222,658	725,172	5,955,447
Timing of revenue recognition						
Goods transferred at a point in time	2,462,057	499,132	2,046,428	222,658	725,172	5,955,447

* Including Hong Kong SAR of the PRC.

Other income and gains

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**11,775**	8,242
Interest income from loans and bonds receivables	**1,374**	1,266
Foreign exchange gains	**49,353**	15,501
Fair value gains on derivative financial instruments, net	**29,333**	16,320
Fair value gains on financial assets	**–**	14,985
Government subsidies*	**12,747**	16,199
Gains on sales of raw materials	**22,751**	10,629
Gains on early termination of leases	**–**	3,213
Net gains on partial repurchase of senior notes	**13,884**	–
Gains on sales of scraps	**4,833**	–
Others	**10,444**	5,305
	156,494	91,660

* 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):

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,560,132**	2,128,935
Depreciation of property, plant and equipment	**32,773**	36,363
Depreciation of right-of-use assets	**17,675**	20,589
Amortisation of intangible assets	**99,432**	98,335
Research and development costs**	**84,948**	68,474
Lease payments not included in the measurement of lease liabilities	**10,246**	7,947
Gain on early termination of leases*	**–**	(3,213)
Loss on disposal of items of property, plant and equipment and intangible assets	**316**	1,063
Employee benefit expenses:		
Wages and salaries	**592,452**	544,305
Pension scheme contributions (defined contribution schemes)	**78,011**	77,489
Staff welfare and other expenses	**41,748**	22,725
(Reversal of) equity-settled share option expense	**2,826**	(43,287)
Equity-settled share award expense	**9,353**	10,698
	724,390	611,930
Foreign exchange differences, net*	**(49,353)**	(15,501)
Fair value gains on derivative financial instruments, net*	**(29,333)**	(16,320)
Fair value losses/(gains) on financial assets	**4,154****	(14,985)*
Impairment of trade receivables**	**1,393**	30,994
Reversal of impairment of property, plant and equipment	**(776)**	–
Write-down of inventories to net realisable value#	**158,270**	135,045
Amortised gain of interest rate hedge in relation to previous term loan	**(34,472)**	–
Net gains on partial repurchase of senior notes*	**(13,884)**	–
Transaction costs, net of gain on exchange of senior notes	**28,273**	–

* 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 EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Charge/(credit) for the period		
Mainland China	**135,352**	197,388
Hong Kong SAR	**110,694**	83,007
Australia	**5,616**	1,343
Elsewhere	**205**	1,273
Deferred	**43,271**	(76,720)
Total tax charge for the period	**295,138**	206,291

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

PRC enterprise income tax ("EIT")

The income tax provision of the Group in respect of its operations in mainland China has been calculated at the rate of 25% (six months ended 30 June 2022: 25%) on the taxable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Hapai Information Technology Co., Ltd ("**Guangzhou Hapai**"), the Company's wholly-owned subsidiary operating in mainland China, was recognised as high-technology enterprise in December 2022, and is subject to EIT at a rate of 15% for three years from 2022 to 2024. Therefore, Guangzhou Hapai was subject to EIT at a rate of 15% for the the six months ended 30 June 2023 and 2022. Biostime (Guangzhou) Health Products Limited ("**Biostime Health**"), the Company's wholly-owned subsidiary, was recognised as high-technology enterprise in December 2020, and was subject to EIT at a rate of 15% for the three years from 2020 to 2022. As at 30 June 2023, Biostime Health was in the progress of re-application of high-technology enterprise and expected that it is highly probable to be recognised as a high-technology enterprise. Thus, Biostime Health calculated the income tax provision at the rate of 15% in the period.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profits arising in Hong Kong SAR during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HKD2,000,000 (six months ended 30 June 2022: HKD2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (six months ended 30 June 2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2022: 16.5%).

Australia corporate income tax

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final declared – HKD0.38 (2022: HKD0.17) per ordinary share	**215,745**	93,886
Dividends on ordinary shares declared after the interim reporting date:		
Interim – HKD0.44 (2022: HKD0.25) per ordinary share	**256,700**	144,869

On 22 August 2023, the Board declared an interim dividend of HKD0.44 (six months ended 30 June 2022: HKD0.25) per ordinary share, amounting to a total of approximately RMB256,700,000 (six months ended 30 June 2022: RMB144,869,000).

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

The calculation of the basic earnings per share amounts is based on the profit for the six months ended 30 June 2023 attributable to ordinary equity holders of the parent of RMB608,014,000 (six months ended 30 June 2022: RMB475,113,000), and the adjusted weighted average number of ordinary shares of 639,704,919 (six months ended 30 June 2022: 641,531,668) in issue during the period.

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**608,014**	475,113
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	**645,561,354**	645,211,045
Weighted average number of shares held for the share award schemes	**(5,856,435)**	(3,679,377)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**639,704,919**	641,531,668
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	**3,613,542**	2,845,434
Adjusted weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**643,318,461**	644,377,102

10. TRADE AND BILLS RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**946,906**	747,762
Bills receivable	**32,397**	47,538
	979,303	795,300
Less: Impairment provision	**(28,091)**	(26,249)
	951,212	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 receivables 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 provisions, is as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**575,615**	314,564
1 to 3 months	**308,902**	411,192
Over 3 months	**66,695**	43,295
	951,212	769,051

The movements in provision for impairment of trade and bills receivables are as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**26,249**	24,968
Impairment losses recognised	**1,393**	20,048
Amount written off as uncollectible	**(885)**	(15,825)
Impairment losses reversed	**–**	(4,382)
Exchange realignment	**1,334**	1,440
At end of the period/year	**28,091**	26,249

11. TRADE PAYABLES

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Trade payables	**986,886**	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:

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 1 month	**745,542**	955,278
1 to 3 months	**192,656**	255,950
Over 3 months	**48,688**	129,742
	986,886	1,340,970

The trade payables are non-interest-bearing. The average credit period for trade purchases is 30 to 90 days.

CHAIRMAN'S STATEMENT

Our financial results were highly encouraging and set us up fully for delivering strong overall growth for the full year. Across the Group, we achieved double-digit top-line growth on a reported and like-for-like ("**LFL**")[1] basis 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**") – once again delivering profitable growth through the three key objectives of Winning in Core, Globalisation and Diversification, and Investing in the Future.

In a few short months, we have passed several important milestones, taking further steps toward achieving our vision of becoming a global leader in premium family nutrition and wellness through superior products and aspirational brands.

The first milestone is related to our product mix. In the first half of 2023, revenue from high-margin and fast-growing nutritional supplements across all three of our ANC, BNC and PNC business segments[2] contributed to 60.1% of our total revenue. Our efforts to grow this part of our business will drive our margin growth well into the future.

The second is Swisse – our leading ANC brand – passing the AUD1 billion[3] global sales milestone, a three-times sales increase[4] since our acquisition in 2015. This growth was made possible by the Group's proactive expansion in mainland China, ANZ and other new markets, as well as utilising key partnerships, in line with our PPAE (premium, proven, aspirational and engaging) model. Swisse also solidified its No. 1 position in the mainland China online market[5] and Australia[6], alongside wide recognition for its natural ingredients backed by science.

Investment in scientific research and product development led us to the third milestone: six of Biostime's infant milk formula ("**IMF**") series – Biostime Beta Star Shine, Biostime Pi-Star, Biostime Pi-Star Tianhe, Biostime Organic Milk (Healthy Times), Biostime Manle and Biostime Cute Betty Care Goat Milk – obtaining national certification under mainland China's new "GB standards" food safety framework, led by the State Administration for Market Regulation ("**SAMR**"), that came into effect in February 2023. These IMF series make up a super majority of our IMF sales in mainland China.

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

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

3 Swisse, Total Net Revenue (Global), AUD, for the past twelve months as of 30 June 2023.

4 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.

5 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 7.9% for the twelve months ended 30 June 2023 as compared with 7.1% for the twelve months ended 30 June 2022.

6 Based on total market unit sales, according to research statistics by IQVIA, an independent research company, market share data for 2023 year to date 1 July 2023.

Finally, I am pleased to share our success in issuing a new 3-year US$200 million bond to refinance our outstanding bond which will mature in October 2024, ensuring that we retain a stable and sustainable capital structure while preserving our liquidity for operational and business development purposes. In addition, we successfully raised RMB500 million through a long-term loan agreement with China Construction Bank Corporation Guangzhou Development District Branch, taking advantage of relatively low onshore interest rates. All refinancing is well capitalised to meet debt obligations at the end of this year.

The successful refinancing keeps us on the steady path of reducing net leverage and effectively managing risk on our balance sheet. As of 30 June 2023, the Group maintained a healthy liquidity position with a cash balance of RMB2.14 billion, following the repayment of USD56.25 million of a 3-year term loan in June 2023 according to the amortization schedule, as we maintained a healthy level of cash conversion across our business. As a result, the Group's net leverage has further improved from 3.58x as of 31 December 2022 to 3.40x as of 30 June 2023. We remain on track to deleverage our balance sheet in the coming years and well-positioned to cope with greater exchange rate fluctuations and a higher interest rate environment, having earlier predominantly hedged these associated exposures with non-RMB denominated debt instruments until maturity through cross-currency swaps, interest rate swaps and natural hedges. The implied annualised interest expense margin[7] (including the benefit of the above-mentioned hedges) was 6.46% for the six months ended 30 June 2023.

ADULT NUTRITION AND CARE

With Swisse surpassing the AUD1 billion sales milestone, our ANC segment is now our largest growth contributor, delivering 43.2% growth on a LFL basis in the first half of 2023. The growth was led by robust consumer demand for scientifically proven beauty, multi-vitamins and detox products in all core markets and new markets, as well as new innovative product launches such as Swisse Plus+ in mainland China and the new Swisse gummies range in Australia.

In mainland China, Swisse continued to outpace all other players in the category, delivering double-digit growth and profitability improvement. We saw growth across online and offline channels, including year-on-year sales volume growth of 50% during the 618 online shopping festival.

We stayed ahead of market growth and fortified our position as the No. 1 player in mainland China's online vitamin, herbal and mineral supplements ("**VHMS**") market, establishing dominance in innovative categories to drive further growth. Under the Swisse Plus+ range, Swisse Liver Cleanse has a No. 1 market share in the high-end thistle segment in mainland China[8], while its NAD+ range is in the top three in its category. After its launch in the third quarter of 2022, Swisse Plus+ has grown to account for a high single-digit percentage of total ANC revenue in mainland China as we rapidly expanded our footprint across the country.

7 The implied annualised interest expense margin is calculated by annualising the normalised interest expense including the benefit of hedge arrangements for the six months ended 30 June 2023, divided by the outstanding principal as of 30 June 2023 being converted to RMB with a consensus FX rates as the debts' drawdown dates.

8 According to research statistics by Early Data, an independent data provider, for the twelve months ended 30 June 2023, Swisse Plus's market share in the high-end thistles segment on the Alibaba, JD, VIP, Suning, Kaola and Amazon platforms.

Sales in the normal trade channel, which accounted for 24.4% of total mainland China ANC revenue in the first half of 2023, went from strength to strength, growing by 102.1% year-on-year on an LFL basis. The rapid growth was supported by a more complete normal trade product portfolio, launches in innovative categories and effective brand marketing. As of 30 June 2023, 18 blue hats out of 74 Swisse SKUs in the normal trade channel were available at 52,504 normal retail touchpoints in mainland China, compared with 12 blue hats out of 47 Swisse SKUs available a year earlier.

In Australia and New Zealand ("**ANZ**"), our second-largest market by revenue, we saw robust double-digit growth supported by our domestic and export channels. Swisse is the No. 1 player in the overall Australian VHMS market. This growth was delivered thanks to our strategic focus on the domestic market and new product launches, selective price increases across our portfolio, and the expanding contribution from innovative products including the Swisse gummies range that saw high double-digit revenue growth (reaching a No. 2 market share of 12.6%[9]). Swisse is currently the No. 1 brand across subcategories including Multivitamins, Beauty from Within, Detox and Muscle Support and Recovery and Sleep[10].

In other territories, Hong Kong SAR and Singapore, our most profitable expansion markets, contributed solid double-digit growth, alongside strong growth momentum in our newer Asian expansion markets in Southeast Asia and India where we see very promising potential. We maintained our high market share rankings in several of these markets, including No. 1 and No. 2 rankings in the Singapore[11] and Italy[12] beauty VHMS markets, respectively.

BABY NUTRITION AND CARE

Amid strong market headwinds that are pressuring the performance of all IMF players in the mainland China market, the sales decline in our BNC segment was confined to low single digits. This was attributed to the strong performance of our paediatric probiotic and nutritional supplements business, partially offsetting a double-digit decline in IMF sales. However, the decline in IMF sales in the second quarter of 2023 was narrower than that in the first quarter as a result of our channel optimisation strategies amid increased competitive intensity across the IMF industry. Despite the systemic challenges facing the entire IMF industry in mainland China, we still achieved positive growth in the e-commerce channel.

[9] According to research statistics by IQVIA, an independent research company, market share data for the 52 weeks period ended 1 July 2023.

[10] According to research statistics by IQVIA, an independent research company, market share data for the 52 weeks period ended 1 July 2023.

[11] According to research statistics by Nielsen, an independent research company, market share data for the past twelve months as of 30 June 2023.

[12] According to research statistics by IMS IQVIA, an independent research company, market share data for the past twelve months as of 30 June 2023.

Our paediatric probiotic and nutritional supplements business continued its long-term growth trend with 49.0% year-on-year growth, driven by higher consumer demand for paediatric nutritional supplements and the launch of new innovative products, including probiotic gummies, DHA and calcium which support the physical and mental well-being of children. This has solidified Biostime's status as the No. 1 paediatric nutritional supplement brand in mainland China[13].

We are also engaging consumers outside of mainland China, especially in France where we continue to retain our No. 1 positions in the organic IMF category and the goat milk market category in pharmacy channels, with market shares of 43.3% and 41.1% respectively[14].

PET NUTRITION AND CARE

Our PNC business hit its own milestone with Zesty Paws has been recognised as the No. 1 pet supplements brand in the US[15], according to Euromonitor. This certification solidifies Zesty Paws' market leadership in both dollar and unit sales in the highly competitive pet supplement industry while reaffirming the brand's commitment to excellence and improving the health of pets worldwide through a science-based approach that leverages the Group's global research and development centres.

Overall PNC sales grew by strong double-digit growth on LFL basis during the first half of 2023 with both North America and mainland China markets seeing strong growth. Revenue in North America – now our third largest market and a major source of growth – expanded by 20.9% on a LFL basis, led by Zesty Paws, as we benefited from the increasingly well-established pet nutrition premiumization, the pet humanizing trends and a growing pet population. This growth was partially offset by the weaker growth of Solid Gold as a result of channel mix impact.

Zesty Paws ranked No. 1 in the overall US pet VMS market and overall e-commerce market with market shares of 11.4% and 12.2%, respectively[16]. Zesty Paws' nascent leadership in North America is being supported by a rapid expansion of its distribution network beyond Walmart, Target, PetSmart and independent pet stores into CVS and Tractor Supply to further increase its retail penetration and reach a broader consumer base. As a result, Zesty Paws' overall offline retail channel saw a strong retail scan sales growth and ranked No. 4 with a market share of 8.9%[17].

13 According to research statistics by Kantar Consumer Panel, an independent research company, market share data for the past twelve months as of 30 June 2023.

14 According to research statistics by GERS, an independent research company, market share data for the past twelve months as of 30 June 2023.

15 Euromonitor International Limited; Pet Supplements category as per Passport Ecommerce. All channels included, excluding vets, value sales in RSP, more info at https://zestypaws.com/pages/claim.

16 According to research statistics by Stackline and NielsenIQ Byzzer, independent research companies, market share data for the 52 weeks period ended 1 July 2023.

17 According to research statistics by NielsenIQ Byzzer, an independent research company, market share data for the 52 weeks period ended 1 July 2023.

In the first half of 2023, Solid Gold entered Walmart leveraging the synergetic benefits of the combined PNC business. Following the rapid offline expansion of both PNC brands in North America during the first half of 2023, Zesty Paws and Solid Gold are now present in more than 16,800 stores and 4,300 stores respectively across the United States.

Expansion in mainland China is also a key focus as we establish the Group as the world's leading health and nutrition company for dogs and cats, with Solid Gold maintaining its No. 2 position in mainland China's online premium cat dry food category[18] mainly driven by innovative new products launch. Solid Gold sales in mainland China grew by a strong 21.6% on a LFL basis as we continued to tap increasing pet adoption rates, despite a temporary supply challenge in early 2023 that has now been resolved. We further improved our exposure to consumers in the online and offline markets, reaching more than 8,200 supermarkets, pet stores and pet hospitals in the offline market.

OUTLOOK: POSITIVE GROWTH LED BY NUTRITIONAL SUPPLEMENTS

As we head into the second half of 2023, we remain fully committed to the growth, globalisation, and diversification of our ANC, BNC, and PNC businesses, winning in core by pursuing organic growth strategies in our stronghold markets and new markets.

We expect to maintain the solid growth rate of our ANC segment over the full year, driving growth through expansion and innovation. This is especially true in our core mainland China and ANZ markets where we will leverage our leading positions to expand market share. In mainland China, we intend to grow further in the cross-border e-commerce ("**CBEC**") market, deliver strong double-digit growth in the normal trade market and further develop Swisse's product portfolio – Swisse Core, Swisse Plus+, Swisse Me and Little Swisse to better capture demands for premium nutritional products from different groups of customers.

Within our BNC segment, we will focus on smoothly transitioning GB-approved IMF products into all of our channels following the successful GB approval of most of our series. However, achieving full-year growth in our BNC segment is becoming increasingly challenging given ongoing market headwinds. That said, these headwinds in our IMF business will continue to be partially offset by the strong performance of our probiotics and nutritional supplements segment will strengthen as we build on our No. 1 market share lead by growing our infant and kids range and expanding our market share in other supplements categories including DHA, calcium, and gummies.

We will actively grow our PNC segment by expanding Zesty Paws' leadership in North America, leveraging on the strength of its product superiority, particularly in the pet supplement category. We will build up the growth of Solid Gold by targeting the super-premium category and focusing on e-commerce and selective retail channels. We will expand our PNC business in mainland China with category-focused innovations, such as in the fish oil category while strengthening the leadership of Solid Gold by driving market share growth in the premium cat food category. We are also focused on global expansion with Zesty Paws set to expand its reach into new markets including mainland China, Canada, the United Kingdom, and Singapore.

18 According to research statistics by SmartPath, an independent research company, market share data for the past twelve months as of 30 June 2023.

In addition to these encouraging operational trends, we expect to see a continued gradual deleveraging trend in our gearing through to the end of the year. With our high cash-generating business model, we are also confident about our ability to further improve our balance sheet over the next two years.

SUSTAINABILITY: DRIVING OUR LONG-TERM GROWTH WITH IMPACT

In April 2023, we submitted our science-based greenhouse gas (GHG) emissions reduction targets to the internationally renowned Science-Based Targets initiative (SBTi). We have since launched our freight emissions reduction roadmap and are accompanying our various supply partners on the assessment and design of our GHG reduction trajectory to meet our targets.

In June 2023, we began implementing our Swisse vial packaging reduction project in Italy. Our new reduced-sized Swisse vials are expected to generate savings in plastic and carton usage, as well as in logistics costs and carbon emissions. In China, we launched the Swisse Recycle Plan where consumers are invited to give back their empty Swisse plastic vials and lids. Such plastic is then regenerated and given a second life.

Creating a strong and inclusive company culture that enables us to perform our best as a business also remained a strong focus during the first half of 2023. H&H's offices in Australia & New Zealand, the UK, France, and Italy all earned Great Place to Work certification for 2023, highlighting our success in promoting a positive workplace culture.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

Revenue

For the six months ended 30 June 2023, the Group's revenue increased by 17.2% on reported basis or 16.3% on a like-for-like[1] ("**LFL**") basis to RMB6,980.8 million as compared with the same period in 2022, mainly driven by the strong growth of nutritional supplements. Revenue from high-margin and fast-growing nutrition supplements from all of the Group's three business segments achieved year-on-year growth of 42.8% on a LFL basis and contributed to 60.1% of the Group's total revenue for the six months ended 30 June 2023.

	Six months ended 30 June					
	2023 ***RMB million***	2022 *RMB million*	*Reported Change*	*LFL Change*	**2023** ***% to revenue***	2022 *% to revenue*
Revenue by product segment						
Nutritional Supplements	**4,192.3**	2,904.6	*44.3%*	*42.8%*	**60.1%**	48.8%
– VHMS products	**2,876.7**	1,998.4	*43.9%*	*43.5%*	**41.2%**	33.6%
– Paediatric probiotic and nutritional supplements	**743.6**	499.1	*49.0%*	*49.0%*	**10.7%**	8.4%
– Pet supplements	**572.0**	407.1	*40.5%*	*31.5%*	**8.2%**	6.8%
Infant formulas	**2,213.7**	2,462.0	*-10.1%*	*-10.1%*	**31.7%**	41.3%
Others[2]	**574.8**	588.8	*-2.4%*	*-2.4%*	**8.2%**	9.9%
Revenue by business segment						
Baby nutrition and care products	**3,115.9**	3,183.8	*-2.1%*	*-2.1%*	**44.6%**	53.4%
Adult nutrition and care products	**2,938.2**	2,046.4	*43.6%*	*43.2%*	**42.1%**	34.4%
Pet nutrition and care products	**926.7**	725.2	*27.8%*	*21.4%*	**13.3%**	12.2%
Revenue by geography						
Mainland China	**5,076.1**	4,394.6	*15.5%*	*15.4%*	**72.7%**	73.8%
ANZ	**829.6**	692.5	*19.8%*	*19.4%*	**11.9%**	11.6%
North America	**736.5**	571.0	*29.0%*	*20.9%*	**10.6%**	9.6%
Other territories	**338.6**	297.3	*13.9%*	*13.7%*	**4.8%**	5.0%
Total	**6,980.8**	5,955.4	*17.2%*	*16.3%*	**100.0%**	100.0%

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

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

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

Revenue from mainland China amounted to RMB5,076.1 million for the six months ended 30 June 2023, representing an increase of 15.4% compared with the same period of last year on a LFL basis. The increase was mainly thanks to strong double-digit growth in ANC and PNC segment, which was partially offset by a low single-digit decrease in BNC segment. On reported basis, revenue from mainland China accounted for 72.7% of the Group's total revenue for the six months ended 30 June 2023, compared with 73.8% in the same period of last year.

Revenue from ANC segment in mainland China achieved strong double-digit growth of 55.9% on a LFL basis as compared with the same period of last year, and accounted for 66.6% of the Group's total ANC revenue for the six months ended 30 June 2023. The growth was mainly driven by the robust consumer demand for beauty, multi-vitamins and detox products, as well as the launch of innovative categories such as the Swisse Plus+ range. Revenue from the premium Swisse Plus+ range contributed to a high single-digit percentage of ANC revenue in mainland China market. For the six months ended 30 June 2023, normal trade sales continued to deliver robust year-on-year growth of 102.1% on a LFL basis, supported by the launch of more innovative categories, continued consumer education, and effective marketing. In the twelve months ended 30 June 2023, Swisse continued to maintain its No.1 position in mainland China's online VHMS market with a market share of 7.9%.

In BNC segment of mainland China, total revenue was RMB2,915.9 million for the six months ended 30 June 2023, decreasing slightly by 2.0% compared with the same period of last year. For the six months ended 30 June 2023, the revenue from IMF in mainland China recorded a year-on-year decline of 10.2% to RMB2,138.8 million, which was narrowed down since Q1 2023. The decrease was mainly resulted from (i) the systemic challenges faced by the entire IMF industry in mainland China. According to Nielsen, the over IMF sales in mainland China market declined by 12.7% in the six months ended 30 June 2023 as compared with the same period of last year; (ii) increased competitive intensity due to planned new 'GB standards' transition, and (iii) exit one unprofitable baby retail channel that did not meet the Group's target profitability requirements and the business invested and drove the growth in other channels where the Group continue to see profitable growth.

For the six months ended 30 June 2023, the Group recorded revenue from paediatric probiotic and nutritional supplements in mainland China of RMB735.7 million, increasing by 48.7% compared with the six months ended 30 June 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[3].

[3] According to research statistics by Kantar Consumer Panel, an independent research company, market share data for the period from 2 January 2021 to 31 December 2022.

Revenue from other paediatric products segment in mainland China, mainly sales of Dodie branded diaper, decreased by 58.5% to RMB41.5 million for the six months ended 30 June 2023 compared with the six months ended 30 June 2022. 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.

Revenue from PNC segment in mainland China maintained a healthy growth of 21.9% on a LFL basis for the six months ended 30 June 2023 as compared with the same period of last year. The strong growth was mainly contributed by the increasing pet adoption rates and growing spending on premium pet nutrition. The Group further improved brand exposure to consumers in both the online and offline markets. Leveraging strong branding expertise online, Solid Gold ranked no. 2 in the premium cat dry food category with 13.6% share[4]. In the offline market, Solid Gold has entered more than 8,200 pet stores and pet hospitals in mainland China as of 30 June 2023. As of 30 June 2023, the Group has obtained 36 domestic product licenses in mainland China, which supported the growth in the normal trade channel.

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

On a LFL basis, revenue from ANZ market segment increased by 19.4% year-on-year to AUD177.4 million for the six months ended 30 June 2023, contributing 11.9% 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 high double-digit revenue growth and reached a No. 2 market share of 12.6%[5]. Swisse is currently the No. 1 player in the overall Australian VHMS market[6].

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

For the six months ended 30 June 2023, revenue contributed from North America achieved strong growth of 20.9% year-on-year on a LFL basis, and accounted for 10.6% of the Group's total revenue. The strong growth was mainly driven by the increasingly well-established pet nutrition premiumization, the pet humanizing trends and growing pet population. This growth was partially offset by the weaker growth of Solid Gold as a result of channel mix impact.

4 Market share data from SmartPath for the last twelve months as of 30 June 2023.

5 According to research statistics by IQVIA, an independent research company, market share data for the 52 weeks period ended 1 July 2023.

6 Based on total market unit sales, sourced from IQVIA, market share data for 2023 year to date 1 July 2023 for the Australia Grocery and Pharmacy market

Revenue of Zesty Paws achieved strong year-on-year growth of 30.1% on a LFL basis for the six months ended 30 June 2023. Zesty Paws has officially established itself as the category leader to become the No. 1 Brand of Pet Supplements in the USA[7], according to Euromonitor. Revenue of Solid Gold recorded a slight decline of 2.6% on a LFL basis for the six months ended 30 June 2023 as compared with the same period of last year. In the first half of 2023, Solid Gold entered Walmart leveraging the synergetic benefits of the combined PNC business. Following the rapid offline expansion of both PNC brands in North America during the first half of 2023, Zesty Paws and Solid Gold are now present in more than 16,800 stores and 4,300 stores respectively across the United States, including major chains such as Walmart, Target, PetSmart, CVS, Tractor Supply and independent pet stores.

Other territories: Strong growth momentum continued in Asian expansion markets

Revenue contributed from other territories increased by 13.7% on a LFL basis for the six months ended 30 June 2023 as compared with the same period of last year. The increase was mainly attributed to robust growth in Asian markets including Hong Kong SAR, Southeast Asia, India and the Middle East. Revenue from Asian markets recorded a strong growth of 59.5% on a LFL basis in the first half of 2023 as compared with the same period of last year.

Gross profit and gross profit margin

In the first half of 2023, the Group recorded gross profit of RMB4,262.4 million, representing an increase of 15.5% as compared with the same period of last year. The Group's gross profit margin decreased from 62.0% in the first half of 2022 to 61.1% in the first half of 2023, mainly due to (i) the increased stock write-off and provision for the raw material of IMF products following the transition of new GB standards; (ii) the reclassification of certain costs of free gifts for BNC business in mainland China market from selling and distribution costs to cost of goods sold ("**COGS**") following a more precise way of classification according to respective purposes of usage; and (iii) the increasing sourcing costs, particularly in PNC segment. Various effective and timely supply chain optimisation measures helped to mitigate the impact of sourcing cost increase to a large extent.

The gross profit margin of the ANC segment increased from 63.7% in the first half of 2022 to 67.0% in the first half of 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 to 59.6% in the first half 2023 from 64.6% in the first half of 2022. The decrease was mainly due to (i) the one-off stock write-off and provision for the raw material and packaging material of IMF products following the transition of new GB standards; (ii) the reclassification of certain costs of free gifts in mainland China market from selling and distribution costs to COGS; and (iii) the increasing sourcing costs. The above decrease was partially offset by the favorable product mix impact towards higher revenue proportion from the higher-margin probiotic and nutrition supplements.

[7] Source Euromonitor International Limited; Pet Supplements category as per Passport Ecommerce. All channels included, excluding vets, value sales in RSP. For more information, see https://zestypaws.com/pages/claim.

The gross profit margin of PNC segment increased to 47.0% in the first half of 2023 from 45.8% in the same period of last year. Excluding the impact on COGS of RMB23.5 million for the six months ended 30 June 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 decreased from 49.0% for the six months ended 30 June 2022 to 47.0% for the six months ended 30 June 2023. The decrease was mainly due to the phasing impact from the higher-cost stock purchased in last year and the first quarter of this year.

Other income and gains

Other income and gains amounted to RMB156.5 million for the six months ended 30 June 2023. Other income and gains primarily consisted of net foreign exchange gain of RMB49.3 million, net fair value gain on the derivative financial instruments of RMB29.3 million, gain on sales of raw materials of RMB22.8 million, government subsidies of RMB12.7 million, gain from the repurchase of senior notes of RMB13.9 million and others.

The net foreign exchange gain of RMB49.3 million mainly represented non-cash gain from the revaluation on intragroup loans. The non-cash fair value gain on the derivative financial instruments of RMB29.3 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.

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 8.8% to RMB2,538.7 million for the six months ended 30 June 2023, as compared with same period of 2022. Selling and distribution costs excluding D&A as a percentage of the Group's revenue decreased from 39.2% in the first half of 2022 to 36.4% in the first half of 2023 mainly thanks to the continuous efforts to drive spending efficiency in channel.

ANC

Selling and distribution costs of ANC business amounted to RMB1,092.2 million for the six months ended 30 June 2023, represented an increase of 32.3% as compared with the same period of last year. Selling and distribution costs of ANC business as a percentage of the Group's revenue from ANC business decreased from 40.4% in the first half of 2022 to 37.2% in the first half of 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 slightly from 30.1% in the first half of 2022 to 29.7% in the first half of 2023. The selling and distribution costs other than advertising and marketing expense of ANC business as a percentage to its revenue decreased from 10.3% in the first half of 2022 to 7.5% in the first half of 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 RMB1,080.8 million for the six months ended 30 June 2023, represented a decrease of 13.8% as compared with the same period of last year. Selling and distribution costs of BNC business as a percentage of the Group's revenue from BNC business decreased from 39.4% in the first half of 2022 to 34.7% in the first half of 2023, thanks to the favorable product mix towards higher revenue contribution from high-margin probiotic and nutritional supplements. The decrease was also due to the phasing different of investments.

Advertising and marketing expense of BNC business as a percentage of its revenue decreased from 11.3% in the first half of 2022 to 10.5% in the first half of 2023. Selling and distribution costs other than advertising and marketing expense of BNC business as a percentage of revenue decreased to 24.2% in the first half of 2023 from 28.1% of the same period of last year mainly thanks to the continuous efforts to drive spending efficiency in channel.

PNC

Selling and distribution costs of PNC business increased by 43.2% to RMB365.6 million for the six months ended 30 June 2023, as compared with the same period of last year. Selling and distribution costs of PNC business as a percentage of its revenue increased from 35.2% for the six months ended 30 June 2022 to 39.5% 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 12.4% for the six months ended 30 June 2022 to 13.7% for the six months ended 30 June 2023. The selling and distribution costs other than advertising and marketing expense of PNC business as a percentage to its revenue increased from 22.8% in the first half of 2022 to 25.8% in the first half of 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 31.0% from RMB314.9 million for the six months ended 30 June 2022 to RMB412.4 million for the six months ended 30 June 2023. Administrative expenses as a percentage of the Group's revenue increased slightly from 5.3% in the first half of 2022 to 5.9% in the first half of 2023 mainly resulted from the increase in performance-related bonuses and increased travelling expenses post travel restriction during COVID pandemic.

Other expenses

Other expenses for the six months ended 30 June 2023 amounted to RMB104.1 million. Other expenses mainly included research and development ("**R&D**") expenditure of RMB84.9 million and others.

During the period under review, R&D expenditure increased by 23.9% as compared with the same period of last year attributable to the Group's determination for continued investment in product innovation. R&D expenditure as a percentage of the Group's revenue maintained stable at 1.2% for the six months end 30 June 2022 and 2023.

EBITDA and Adjusted EBITDA

Adjusted EBITDA increased by 24.0% to RMB1,309.5 million for the six months ended 30 June 2023, comparing with the six months ended 30 June 2022. Adjusted EBITDA margin for the first half of 2023 increased from 17.7% for the six months ended 30 June 2022 to 18.8% for the same period of 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 six months ended 30 June 2023 amounted to RMB1,397.9 million, increased by 29.5% from RMB1,079.4 million for the six months ended 30 June 2022.

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

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
EBITDA	**1,397.9**	1,079.4
Reconciled by:		
Non-cash items*:		
(1) Net foreign exchange gains	**(49.3)**	(15.5)
(2) Net fair value gains on financial instruments	**(25.2)**	(31.3)
(3) One-time gain from the repurchase of senior notes	**(13.9)**	–
Non-recurring items*:		
(4) Impact on COGS in relation to the one-time mark-to-market increase for the value of inventory in the acquisition of Zesty Paws	**–**	23.5
Adjusted EBITDA	**1,309.5**	1,056.1

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

Finance costs

During the six months ended 30 June 2023, the Group's finance costs increased by 41.9% to RMB358.0 million compared with the same period of 2022. The finance costs for the six months ended 30 June 2023 included interests for the interest-bearing bank loans and senior notes of RMB361.3 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 RMB314.3 million for the six months ended 30 June 2023.

The interests for the interest-bearing bank loans and senior notes for the six months ended 30 June 2023 increased by 65.7% compared with the same period of 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 six months ended 30 June 2023 also included the one-off transaction costs net of gain on exchange of senior notes of RMB28.3 million, which was offset by the non-recurring amortized gain of RMB34.5 million in relation to the interest rate swap for previous term loan.

Following the hedging agreements entered by the Group in July 2023, the coupon of the new senior notes due 2026 has been hedged at a lower rate. The Group will further manage its cost of debt through certain liquidity measures.

Income tax expense

Income tax expense increased from RMB206.3 million for the six months ended 30 June 2022 to RMB295.1 million for the six months ended 30 June 2023. The effective tax rate increased from 30.3% in the first half of 2022 to 32.7% in the first half of 2023, mainly due to the increase in non-deductible interest of the interest-bearing bank loans and senior notes.

Net profit and Adjusted net profit

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

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Net profit	**608.0**	475.1
Reconciled by:		
EBITDA adjusted items as listed above	**(88.4)**	(23.3)
Non-cash items*:		
One-off transaction costs, net of gain on exchange of senior notes	**28.3**	–
One-off write-off of unamortized transaction costs upon refinancing for the loan facilities	**–**	31.1
One-off amortized gain of interest rate swap for previous term loan	**(34.5)**	–
Adjusted net profit	**513.4**	482.9

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

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the six months ended 30 June 2023, the Group recorded net cash generated from operating activities of RMB22.1 million, resulting from pre-tax cash from operations of RMB359.7 million, minus income tax paid of RMB337.6 million.

Investing activities

For the six months ended 30 June 2023, net cash flows used in investing activities amounted to RMB19.3 million, primarily resulted from purchases of property, plant and equipment and intangible assets of RMB47.2 million, partially offsetting by interest received of RMB13.5 million, the proceed from disposal of items of property, plant and equipment, intangible assets and certain financial assets of RMB8.4 million, and the increase in time deposits of RMB6.0 million.

Financing activities

For the six months ended 30 June 2023, net cash flows used in financing activities amounted to RMB205.7 million, primarily related to the repayment of interest-bearing bank loans of RMB406.6 million, the interest paid for interest-bearing bank loans and senior notes of RMB348.3 million, the partial purchase of senior notes of RMB283.7 million, the transaction costs in relation to the exchange and issuance of the senior notes of RMB70.2 million, and the payment of lease liabilities of RMB18.4 million. The above cash outflows were partially offset by the proceed from a new bank loan of RMB500 million, and the net proceed from issuance of senior notes of RMB408.0 million.

Cash and bank balances

As of 30 June 2023, cash and cash equivalents as stated in the interim condensed consolidated statement of financial position amounted to RMB2,137.7 million.

Interest-bearing bank loans and senior notes

As of 30 June 2023, the Group's outstanding interest-bearing bank loans amounted to RMB8,070.6 million, including current portion of RMB1,447.6 million. The total carrying amount of the senior notes was RMB2,022.3 million, including current portion of RMB20.8 million.

As of 30 June 2023, the net leverage ratio decreased from 3.87 as of 30 June 2022 to 3.40[8]. Gearing ratio increased slightly from 47.0% as of 30 June 2022 to 47.2% as of 30 June 2023, calculated by dividing the sum of the carrying amount of senior notes and interest-bearing bank loans by total assets.

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 average credit terms ranging from 30 to 60 days from the end of month. The Group's suppliers generally grant a credit period of between 30 and 90 days.

[8] Net leverage ratio as of 30 June 2023 is calculated with the outstanding principal of debt instruments being converted to RMB with a consensus FX rates as the debts' drawdown dates, minus cash and cash equivalents and restricted deposits. Net leverage ratio as of 30 June 2022 is calculated by dividing the carrying amount of net debts by pro forma Adjusted EBITDA for the last twelve months ended 30 June 2022, consolidating Zesty Paws' Adjusted EBITDA since 1 July 2021. On reported basis, the net leverage ratio decreased from 3.93 as of 30 June 2022 to 3.57 as of 30 June 2023, calculated by dividing the carrying amount of net debts by accumulated Adjusted EBITDA for the last twelve months ended 30 June 2022 and 2023.

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 maintained stable at 22 days for the six months ended 30 June 2022 and 2023. The average turnover days of trade payables increased from 67 days for the six months ended 30 June 2022 to 77 days for the six months ended 30 June 2023, mainly due to the different cut-off days.

The inventory turnover days increased from 159 days for the six months ended 30 June 2022 to 174 days for the six months ended 30 June 2023. The inventory turnover days of ANC products increased from 143 days for the six months ended 30 June 2022 to 157 days for the six months ended 30 June 2023. The increase was mainly due to the higher safety stock built up to support the strong sales growth of ANC products. The inventory turnover days of BNC products increased slightly from 175 days for the six months ended 30 June 2022 to 176 days for the six months ended 30 June 2023. The inventory turnover days of BNC products was still at a high level mainly resulting from the higher safety stock built up ahead of the launch of IMF products under new GB standards in the second half of 2023. The inventory turnover days of PNC products increased from 143 days for the six months ended 30 June 2022 to 205 days for the six months ended 30 June 2023. The increase was mainly due to the higher safety stock built to ensure business continuity.

INTERIM DIVIDEND

After taking full consideration of the Group's financial position, net cash flow and capital expenditures, the Board has resolved to declare an interim dividend of HKD0.44 per ordinary share, representing approximately 50.0% of the Group's Adjusted net profit for the period of six months ended 30 June 2023. The interim dividend will be paid on or about Wednesday, 11 October 2023 to the shareholders whose names appear on the register of members of the Company on Friday, 8 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6 September 2023 to Friday, 8 September 2023, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5 September 2023.

SIGNIFICANT BUSINESS DEVELOPMENT AFTER THE END OF THE REPORTING PERIOD

As part of its strategy to optimize the capital structure, the Company has been in discussion and negotiation with Bank of Beijing Shenzhen Branch (the "**Bank**") for obtaining a line of credit from the Bank. The Company is pleased to announce that it has been informed by the Bank that it has completed its internal approval procedures for granting a line of credit (the "**Credit Facility**") with a maximum principal amount of RMB300,000,000 for a term of 2 years to Health and Happiness (China) Limited on 21 August 2023, which is one of the subsidiaries of the Company. No definitive legally binding agreement in respect of the Credit Facility has been entered into as of the date of this announcement. The Credit Facility may or may not materialize in full or at all.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company has complied with all the code provisions contained in the CG Code for the six months ended 30 June 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 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 six months ended 30 June 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 six months ended 30 June 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 is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors; reviewing the interim and annual reports and accounts of the Group; and overseeing the Group's financial reporting system, internal control system and risk management system and associated procedures.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this interim results announcement complies with Appendix 16 of the Listing Rules. The Audit Committee has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the interim report and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have not been audited but have been reviewed by the Company's independent auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by the Hong Kong Institute of Certified Public Accountants.

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

During the six months ended 30 June 2023, with a view to reducing financing cost and optimising capital structure, the Company has in aggregate repurchased on market USD30,362,000 in principal amount of the 5.625% senior notes due 2024, representing approximately 11.2% of the outstanding principal amount of the 5.625% senior notes due 2024. The Company also repurchased on market USD11,350,000 in principal amount of the 13.5% senior notes due 2026, representing approximately 5.7% 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 six months ended 30 June 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is also published on the websites of the Company (www.hh.global) and the Stock Exchange (www.hkexnews.hk). The interim report for the six months ended 30 June 2023 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 August 2023

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 and Mr. Luo Yun; and the independent non-executive directors of the Company are Mr. Tan Wee Seng, Mrs. Lok Lau Yin Ching and Professor Ding Yuan.