Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement and the listing documents referred to herein have been published for information purposes only as required by the Listing Rules (as defined below) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing documents referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Company and the Subsidiary Guarantors (each as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

*This announcement is solely for the purpose of reference and does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The Notes (as defined below) will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act. The Company and the Subsidiary Guarantors do not intend to make any public offering of securities in the United States.*

Notice to Hong Kong investors: *The Company and the Subsidiary Guarantors confirm that the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Company and the Subsidiary Guarantors confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING MEMORANDUM

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)
(the "Company")

USD300,000,000 9.125% Senior Notes due 2028
(Stock Code: 5411)
(the "Notes")

guaranteed, on a senior basis by
certain of its subsidiaries (the "Subsidiary Guarantors")

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Listing Rules**").

Please refer to the offering memorandum dated January 16, 2025 (the "**Offering Memorandum**") appended hereto in relation to the Notes. As disclosed in the Offering Memorandum, the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

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

Hong Kong, January 27, 2025

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

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

You must read the following disclaimer before continuing: The following disclaimer applies to the attached offering memorandum (the "**offering memorandum**"). You are therefore advised to read this disclaimer carefully and in full before reading, accessing or making any other use of the attached offering memorandum. In accessing the attached offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of your representation: You have accessed the attached document on the basis that you have confirmed your representation to Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International plc, China CITIC Bank International Limited, The Hongkong and Shanghai Banking Corporation Limited, Mashreqbank psc, Coöperatieve Rabobank U.A., Hong Kong Branch, a branch of Coöperatieve Rabobank U.A. whose place of incorporation is the Netherlands and Industrial Bank Co., Ltd. Hong Kong Branch (collectively, the "**Initial Purchasers**") that (i) you are outside the United States and, to the extent you purchase the Notes, as defined and described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (ii) you consent to delivery of such offering memorandum and any amendments or supplements thereto by electronic transmission.

The attached offering memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Initial Purchasers nor any of their respective directors, officers, employees, representatives, agents or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached offering memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Notes described in the offering memorandum.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018).

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF THE NOTES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTIONS AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Company or any Subsidiary Guarantor (each as defined in the attached offering memorandum) or the Initial Purchasers to subscribe for or purchase any of the Notes described herein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere.

The attached offering memorandum does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers, licensed brokers or dealers in that jurisdiction, the offering of any of the Notes shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Company in such jurisdiction.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of assimilated law in the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended, including by the Retained EU Law (Revocation and Reform) Act 2023, the "**EUWA**") subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of assimilated law in the UK by virtue of the EUWA, subject to amendments made by the Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019 (SI 2019/403) (as may be amended or superseded from time to time) (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation. You are reminded that you have accessed the attached offering memorandum on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Notes described therein.

Actions that you may not take: You should not reply by e-mail to this electronic transmission, and you may not purchase any Notes by doing so. Any reply e-mail communication, including those you generate by using the "**Reply**" function on your e-mail software, will be ignored and/or rejected.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED OFFERING MEMORANDUM.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Strictly Confidential

HEALTH AND HAPPINESS (H&H) INTERNATIONAL HOLDINGS LIMITED
健合(H&H)國際控股有限公司

(incorporated with limited liability under the laws of the Cayman Islands)

USD300,000,000 9.125% Senior Notes due 2028

Issue Price: 98.327%

Health and Happiness (H&H) International Holdings Limited 健合(H&H)國際控股有限公司 (the "**Company**" or "**H&H**") is offering an aggregate principal amount of USD300,000,000 of 9.125% Senior Notes due 2028 (the "**Notes**").

The Notes will bear interest from and including January 24, 2025 at 9.125% per annum payable semi-annually in arrear on January 24 and July 24 of each year, beginning on July 24, 2025. The Notes will mature on July 24, 2028. The Notes will be senior obligations of the Company and will be guaranteed, on a senior basis, by certain of our existing subsidiaries (the "**Subsidiary Guarantors**"). We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees.

The Notes and the Subsidiary Guarantees will be secured, on a first-ranking basis, by customary debentures/security agreements over all or substantially all assets of the Company and each initial Subsidiary Guarantor (in each case other than any assets located in the PRC or Capital Stock of subsidiaries in the PRC that will not secure the Notes) as well as pledges/charges over shares of each initial Subsidiary Guarantor, Health and Happiness (H&H) China Limited and Biostime (Guangzhou) Health Products Limited, as described in greater detail herein. See "*Description of the Notes — Security*".

At any time and from time to time on or after July 24, 2026, we may redeem the Notes, in whole or in part, at the redemption prices set forth in the section titled "*Description of the Notes — Optional redemption*", *plus* accrued and unpaid interest to, but, not including the redemption date. At any time prior to July 24, 2026, we may at our option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes *plus* a premium as set forth in this offering memorandum, and accrued and unpaid interest, if any. At any time and from time to time prior to July 24, 2026, we may redeem up to 40% in aggregate principal amount of the Notes, at a redemption price equal to 109.125%, *plus* accrued and unpaid interest, if any, with the proceeds from certain equity offerings. For a more detailed description of the redemption features of the Notes, see "*Description of the Notes — Optional Redemption*".

Upon the occurrence of a Change of Control Triggering Event, as defined in the indenture governing the Notes, we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, *plus* accrued and unpaid interest, if any, to the date of repurchase. See "*Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event*" and "*Risk Factors — Risks relating to the Notes, the Subsidiary Guarantees and the Collateral — We may not be able to finance a change of control offer required by the Indenture*".

For a more detailed description of the Notes, see "*Description of the Notes*" beginning on page 229.

Concurrently with this offering, the Company is conducting a cash tender offer to repurchase our 2026 Notes (as defined below). Such concurrent tender offer is being made pursuant to a separate offer to purchase and not pursuant to this offering memorandum. See "*Summary — Concurrent Tender Offer*".

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 18.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act ("Regulation S").

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Company and the Subsidiary Guarantors confirm that the Notes are intended for purchase by Professional Investors only and will be listed on SEHK on that basis. Accordingly, the Company and the Subsidiary Guarantors confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

Investors should be aware that there are various risks relating to the Notes, the Company and the Subsidiary Guarantors, their business and their jurisdictions of operations which investors should familiarize themselves with before making an investment in the Notes. The Notes will be senior obligations of the Company and will be guaranteed, on a senior basis, by the Subsidiary Guarantors. The Notes and the Subsidiary Guarantees will be secured on a first-ranking basis as described in greater detail herein. See "*Description of Notes — Security*". See "*Risk Factors*" beginning on page 18.

The Stock Exchange of Hong Kong Limited has not reviewed the contents of this offering memorandum, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this offering memorandum to professional investors only have been reproduced in this offering memorandum. Listing of the Notes on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Company or the Subsidiary Guarantors or the Group (as defined below) quality of disclosure in this offering memorandum. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company, the Subsidiary Guarantors and the Group. Each of the Company and the Subsidiary Guarantors accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

With reference to the Administrative Measures for the Approval Registration of Mid- to Long-Term Foreign Debt of Enterprises《企業中長期外債審核登記管理辦法》(國家發展和改革委員會令第56號) (the "**NDRC Order No. 56**") promulgated by National Development and Reform Commission (the "**NDRC**") of the PRC on 5 January 2023 which came into effect on 10 February 2023, we have submitted the application for approval registration of the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated 21 August 2024 evidencing the completion of such approval registration process. Pursuant to the approval registration certificate, we will cause relevant information relating to the issue of the Notes to be furnished to the NDRC within 10 working days after Issue Date (as defined below).

As of the date of this offering memorandum, the Notes are expected to be rated BB by Standard and Poor's Ratings Services and Ba3 by Moody's Investors Service. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant.

The Notes will be issued in registered form in minimum denominations of USD200,000 and integral multiples of USD1,000 in excess thereof. It is expected that delivery of the Notes will be made on or about January 24, 2025 (the "**Issue Date**"), through the facilities Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Deutsche Bank | **Goldman Sachs (Asia) L.L.C.** | **Morgan Stanley**

Joint Lead Managers and Joint Bookrunners

China CITIC Bank International | **HSBC** | **Mashreq**

Co-Managers

Rabobank | **Industrial Bank Co., Ltd. Hong Kong Branch**

Offering memorandum dated January 16, 2025

This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation of the Notes in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). This offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Notes.

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of assimilated law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended, including by the Retained EU Law (Revocation and Reform) Act 2023, the "**EUWA**") (the "**UK Prospectus Regulation**"). This offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Notes.

IN CONNECTION WITH THIS OFFERING OF NOTES, GOLDMAN SACHS (ASIA) L.L.C., AS STABILIZING MANAGER (THE "**STABILIZING MANAGER**"), OR ANY PERSON OR ENTITY ACTING ON ITS BEHALF, MAY OVER-ALLOT THE NOTES OR EFFECT PURCHASES AND SALES OF THE NOTES IN THE OPEN MARKET, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, AND OTHER THAN IN CIRCUMSTANCES WHERE SUCH ACTION WOULD REASONABLY BE EXPECTED TO AFFECT THE PRICE OF THE NOTES TRADED WITHIN AUSTRALIA OR ON A FINANCIAL MARKET, AS DEFINED IN THE AUSTRALIA CORPORATIONS ACT, OPERATED WITHIN AUSTRALIA. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY WILL BE CONDUCTED IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS AND MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE ALLOTMENT OF THE NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZING MANAGER (OR ANY PERSON OR ENTITY ACTING ON ITS BEHALF) AND NOT FOR THE COMPANY OR ON ITS BEHALF. THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR ANY PERSON OR ENTITY ACTING ON ITS BEHALF) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION.

MiFID II PRODUCT GOVERNANCE: Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended ("**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling, or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MiFIR PRODUCT GOVERNANCE: Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i)

the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of assimilated law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of assimilated law in the UK by virtue of the EUWA subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time). Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of assimilated law in the UK by virtue of the EUWA, subject to amendments made by the Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019 (SI 2019/403) (as may be amended or superseded from time to time) (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

NOTICE TO CANADIAN INVESTORS

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and that are not created or used solely to purchase or hold securities as an accredited investor described in paragraph (m) of the definition of "accredited investor".

The offer and sale of the Notes in Canada is being made on a private placement basis only and is exempt from the requirement that the issuer prepares and files a prospectus under applicable Canadian securities

laws. Any resale of the Notes must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the Notes outside of Canada.

If, in connection with a distribution of an eligible foreign security as defined in Ontario Securities Commission Rule 45-501 *Ontario Prospectus and Registration Exemptions*, we deliver to you an offering document that constitutes an offering memorandum under applicable securities laws in Canada, you may have, depending on the province or territory of Canada in which the trade was made to you, remedies for rescission or damages if the offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by you within the time limit prescribed by the securities legislation of your province or territory. You should refer to any applicable provisions of the securities legislation of your province or territory for the particulars of these rights or consult with a legal advisor.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018).

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Initial Purchasers, are "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, the Subsidiary Guarantors, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Company, the Subsidiary Guarantors, the CMI or the relevant group company. Prospective investors associated with the Company, the Subsidiary Guarantors or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Initial Purchaser, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Initial Purchaser or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering.

Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with any Initial Purchaser, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the Initial Purchasers when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Initial Purchasers and/or any other third parties as may be required by the SFC Code, including to the Company, the Subsidiary Guarantors, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us and our subsidiaries referred to herein and the Notes and the Subsidiary Guarantees that is material in the context of the offering and issue of the Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries are in all material respects true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; and (iv) there are no other facts in relation to us, our subsidiaries, the Notes and the Subsidiary Guarantees, the omission of which would, in the context of the offering and issue of the Notes, make this offering memorandum, as a whole, misleading in any material respect.

This offering memorandum is strictly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum in its entirety (including the financial statements included elsewhere herein) before making a decision whether to purchase the Notes. You must not use this offering memorandum for any other purpose, or create copies, or give copies or disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes.

No representation or warranty, express or implied, is made by the Initial Purchasers (as defined herein) or the Trustee (as defined herein) or any of their respective affiliates as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers, whether as to the past or the future. To the fullest extent permitted by law, the Initial Purchasers and the Trustee do not accept any responsibility for the contents of this offering memorandum or for any other statement made or purported to be made by the Company or any Subsidiary Guarantor in connection with the offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement. The Initial Purchasers do not undertake to review the financial condition or affairs of the Company or any Subsidiary Guarantor during the life of the Notes and the Subsidiary Guarantees or to advise any investor or potential investor in the Notes or the Subsidiary Guarantees of any information coming to the attention of the Initial Purchasers.

Prospective investors in the Notes should rely only on the information contained in this offering memorandum. Neither we nor the Initial Purchasers have authorized the provision of information different from that contained in this offering memorandum. If given, any such information should not be relied upon. Neither the Company nor the Initial Purchasers are making an offer of the Notes in any jurisdiction where an offering of the Notes is not permitted. The information contained in this offering memorandum is accurate in all material respects only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the Notes. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or those of each of our respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or the Trustee or any person affiliated with the Initial Purchasers or the Trustee in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes or the Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of us and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers or the Trustee.

The Notes and the Subsidiary Guarantees have not been approved or disapproved by the United States Securities and Exchange Commission (the "**SEC**"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this offering memorandum, see the section titled "*Plan of distribution*".

Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice nor a recommendation or a statement of opinion, or a report of either of those things, that a prospective investor make a decision in relation to the Notes nor as otherwise constituting "financial product advice" for the purposes of Part 7 of the Corporations Act 2001 (Cth) of Australia (the "**Australian Corporations Act**"). This offering memorandum does not take into account the objectives, financial situation or needs of any potential investor. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal investment or similar laws or regulations.

This offering memorandum or any other disclosure document in relation to the Notes has not been, and will not be, lodged with the Australian Securities and Investments Commission ("**ASIC**") or any other regulatory authority in Australia and is not, and does not purport to be, a document containing disclosure to investors for the purposes of Part 6D.2 or Part 7.9 of the Australian Corporations Act. It is not intended to be used in connection with any offer for which such disclosure is required and does not contain all the information that would be required by those provisions if they applied. It is not to be provided to any "retail client" as defined in sections 761G and 761GA of the Australian Corporations Act. This offering memorandum is not, and under no circumstances is to be construed as, an advertisement or public

offering of any Notes in Australia. The Company is not licensed to provide financial product advice in respect of the Notes. Cooling-off rights do not apply to the acquisition of the Notes.

In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. None of us, the Initial Purchasers or any of our or the Initial Purchasers' respective affiliates or representatives is or are making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment, tax or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

We reserve the right to withdraw the offering of the Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

Cayman Islands Data protection — Under the Cayman Islands Data Protection Act (as revised) and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**"), individual data subjects have rights and the Company as data controller has obligations with respect to the processing of personal data by the Company and its affiliates and delegates. Breach of the Data Protection Legislation by the Company could lead to enforcement action.

Prospective investors should note that personal data may in certain circumstances be required to be supplied to the Company in order for an investment in the Notes to continue or to enable the Notes to be redeemed. If the required personal data is not provided, a prospective investor will not be able to continue to invest in the Notes or to redeem the Notes.

The Company has published a privacy notice (the "**Data Privacy Notice**"), which provides prospective investors with information on the Company's use of their personal data in accordance with the Data Protection Legislation. The location and means of accessing the Data Privacy Notice is specified in the "*Listing and General Information*" Section of this offering memorandum.

CERTAIN CONVENTIONS, CURRENCY PRESENTATION AND DEFINITIONS

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "**we**", "**us**", "**our**", the "**Company**", "**H&H**", the "**Group**" and words of similar import, we are referring to Health and Happiness (H&H) International Holdings Limited itself or to Health and Happiness (H&H) International Holdings Limited and its consolidated subsidiaries.

Market data and certain industry forecasts and statistics included in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. We use a combination of information and data provided by external sources, including information published by China Monitor Health, Nielsen Consumer LLC ("**NielsenIQ**"), Early Data, Euromonitor International ("**Euromonitor**"), GERS (group for the development and production of pharmaceutical industry statistics), Grand View Research, IQVIA™, Kantar Worldpanel and the National Bureau of Statistics of the PRC. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or the respective directors and advisors of the Company or the Initial Purchasers, and neither us, the Initial Purchasers, nor the respective directors and advisors of the Company or the Initial Purchasers make any representation as to the accuracy or completeness of that information. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Notes, including the merits and risks involved. Unless stated otherwise, all retail values expressed in this section are in local currency terms or US dollar terms, using a year-on-year exchange rate. All retail values, whether country-specific, regional and global, are expressed in current value terms, with inflationary effects included.

In some cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analysis and estimates, thereby requiring us to rely on our own internally developed estimates regarding the industry in which we operate, our position in the industry, our market share and the market shares of various industry participants based on experience, our own investigation of market conditions, data sourced from third-party information providers, surveys conducted by us or on our behalf by third-party surveying organizations, and our review of industry publications. While we have examined and relied upon certain market or other industry data from external sources as the basis for our estimates, neither we nor the Initial Purchasers have verified that data independently. We and the Initial Purchasers cannot assure you of the accuracy and completeness of, and take no responsibility for, such data. Similarly, while we believe our internal estimates to be reasonable, these estimates have not been verified by any independent source and we and the Initial Purchasers cannot assure you as to their accuracy.

In this offering memorandum, all references to "**USD**" and "**US dollar**" are to United States dollars, the official currency of the United States; all references to "**HK$**" and "**H.K. dollars**" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC; all references to "**RMB"** or "**Renminbi**" are to the Renminbi, the official currency of the People's Republic of China; all references to "**CNH**" are to the official currency for the time being of the People's Republic of China, as traded offshore outside of the PRC; all references to "**A$**" and "**AUD**" are to Australian dollars, the official currency of Australia; all references to "**€**" and "**Euro**" are to the currency of the Member States of the European Union participating in the European Monetary Union; all references to "**£**" are to United Kingdom Pounds, the official currency of United Kingdom; and all references to "**DKK**" and "**Danish Krone**" are to the Danish Krone, the currency of Denmark.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to US dollar were made at the rate of RMB7.2672

to USD1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes published by the Federal Reserve Bank of New York on 28 June 2024, all translations from Australian dollars into US dollar were made at the rate of A$1.00 to USD0.6677, the noon buying rate in New York City for cable transfers payable in Australian dollars as certified for customs purposes published by the Federal Reserve Bank of New York on 28 June 2024, all translations from Euros into US dollar were made at the rate of €1.00 to USD1.0711, the noon buying rate in New York City for cable transfers payable in Euros as certified for customs purposes published by the Federal Reserve Bank of New York on 28 June 2024, all translations from Hong Kong dollars into US dollar were made at the rate of HK$7.8083 to USD1.00, the noon buying rate in New York City for cable transfers payable in Hong Kong dollars as certified for customs purposes published by the Federal Reserve Bank of New York on 28 June 2024, all translations from United Kingdom Pounds amounts to US dollar were made at the rate of £1.00 to USD1.2640, the noon buying rate in New York City for cable transfers payable in Pounds as certified for customs purposes, published by the Federal Reserve Bank of New York on 28 June 2024 and all translations from Danish Krone into US dollar were made at the rate of DKK6.9622 to USD1.00, the noon buying rate in New York City for cable transfers payable in Danish Krone as certified for customs purposes published by the Federal Reserve Bank of New York on 28 June 2024. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into Australian dollars, H.K. dollars, Euros, Danish Krone, Pounds or US dollars or *vice versa*, at any particular rate or at all. For further information relating to certain exchange rates, see "*Exchange Rates*".

References to the "**2019 Notes**" refer to the Company's 5.625% senior notes due 2024, issued on 24 October 2019, which were fully redeemed on 25 March 2024.

References to the "**2026 Notes**" refer to the Company's 13.5% senior notes due 2026, issued under the 2026 Notes Indenture.

References to the "**2026 Notes Indenture**" refer to the indenture dated June 26, 2023 entered into between, amongst others, the Company, the other companies named therein as guarantors and the Trustee in respect of the 2026 Notes.

References to "**Australia**" are to the Commonwealth of Australia.

References to "**Australian VMS market**" refer to the Vitamin, Minerals and Supplement category, Australian Grocery and Pharmacy.

References to "**ANC**" refer to the adult nutrition and care business unit of H&H Group.

References to "**B2C**" refer to the business-to-consumer sales model whereby we sell our products directly to consumers through e-commerce platforms.

References to "**baby care products**" in "*Industry Overview*" refer to baby and child-specific products as categorized by Euromonitor, which includes baby and child-specific hair care, baby and child-specific skin care, baby and child-specific sun care, baby and child-specific toiletries, baby wipes and medicated baby and child-specific products.

References to "**BINC**" refer to the Biostime Institute of Nutrition and Care, an international platform we established to facilitate expert communication and academic exchange among medical and scientific professionals in China and worldwide.

References to "**BNC**" refer to the baby nutrition and care business unit of H&H Group.

References to "**Bridge Facility**" refer to a USD350,000,000 term loan facility with The Hongkong and Shanghai Banking Corporation Limited as agent and security agent, Goldman Sachs (Asia) L.L.C. as mandated lead arranger and affiliates of Goldman Sachs (Asia) L.L.C. as the original lenders.

References to "**C2C**", "**parallel**" or "**passive**" sales refer to the consumer-to-consumer sales whereby our products are sold mostly on a consumer-to-consumer basis on e-commerce platforms. Sales ultimately made through the C2C channel are primarily represented in our revenue as going through one of our offline sales channels.

References to "**CFDA**" refer to the China Food and Drug Administration (國家食品藥品監督管理局), which is now as National Medical Products Administration (國家藥品監督管理局).

References to "**Coliving**" refer to Coliving Limited, a company incorporated in the British Virgin Islands with company number 1820225 and having its registered office at Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.

References to "**daigou**" have the meaning of "to buy on behalf" which describes the practice of purchasing sought-after goods overseas to resell back to China.

References to "**ERP**" refer to our enterprise resource planning system, which supports multiple functional units including finance, marketing, production and human resources.

References to "**Euromonitor**" refer to the industry data obtained from Euromonitor International.

References to "**EUWA**" refer to the European Union (Withdrawal) Act 2018, as amended, including by the Retained EU Law (Revocation and Reform) Act 2023.

References to the "**Indenture**" refer to the indenture dated on or about January 24, 2025 to be entered into between, amongst others, the Company, the Subsidiary Guarantors and the Trustee in respect of the Notes.

References to "**Intercreditor Agreement**", "**2022 Senior Facilities**", "**RMB Loan Facilities**", "**Zinc Facilities**", "**Zinc Syndicated Facilities Agreement**", "**Omega Term Facilities**", "**Omega RCF**", "**Omega Syndicated Facilities Agreement**", "**Omega Facilities**", "**Senior Term Facilities**" and "**Bilateral Facility**" shall have the meanings given to them under "*Description of Certain Financing Arrangements*".

References to "**infant formula**" are to infant milk formulas, for use by infants through children up to the age of seven except for the references in "*Industry Overview*", which are to infant milk formula as defined under Euromonitor's milk formula category.

References to "**IQVIA™**" refer to the industry data from IQVIA Australia Pty Limited.

References to "**MAT**" refer to moving annual total.

References to "**NielsenIQ**" refer to the industry data obtained from Nielsen Consumer LLC.

References to "**normal trade**" refer to the business to consumer sales model whereby we sell our products directly to consumers through "bricks and mortar" retailers such as pharmacies or the online market in China.

References to "**PNC**" refer to the pet nutrition and care business unit of H&H Group.

References to "**Portfolio Brands**" refer to H&H brands Swisse™, Biostime™, Zesty Paws™, Solid Gold™, Dodie™, Good Goût™ and Aurelia™.

References to the "**PRC**" and "**China**" are to the People's Republic of China and, for the purposes of this offering memorandum, except where the context requires, do not include the Hong Kong Special

Administrative Region of the PRC ("**Hong Kong**" or "**HK**"), the Macau Special Administrative Region of the PRC ("**Macau**"), or Taiwan. The "**PRC government**" or the "**State**" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

References to "**RMB Bonds**" refer to the Company's RMB500,000,000 7.5% guaranteed bonds due 2027, issued on 26 March 2024.

References to "**SAMR**" refer to State Administration for Market Regulation (國家市場監督管理總局).

References to "**SEHK**" refer to The Stock Exchange of Hong Kong Limited.

References to "**Swisse**" refer to Swisse Wellness Group Pty Ltd or Swisse Wellness Group Pty Ltd and its subsidiaries.

References to "**US**" are to the United States of America.

References to "**VHMS**" refer to the vitamin, herbal and mineral supplement market except for the references in "*Industry Overview*" and "*Business*", which are to vitamin and dietary supplements ("**VDS**") as categorized by Euromonitor and vitamin and minerals supplements ("**VMS**") as categorized by IQVIA™ and Kantar Worldpanel.

References to "**Zesty Paws**" refer to Health and Happiness (H&H) US LLC (formerly known as Zesty Paws LLC).

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes statements that are, or may be deemed to be "**forward-looking statements**" within the meaning of the US securities laws. All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, the impact of government regulations or actions, liquidity requirements, and any statements preceded by, followed by or that include, the words "believe", "expect", "aim", "intend", "will", "may", "anticipate", "seek", "should", "estimate" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- the Group may be adversely affected by fluctuations in the global economy and financial markets;
- our profitability may suffer as a result of competition in the markets in which we operate;
- we are subject to numerous government regulations in China, and it can be costly to comply with current and future regulatory requirements;
- we may fail to realize business growth opportunities, revenue benefits, cost synergies, operational efficiencies and other benefits anticipated from our past and future acquisitions or may incur unanticipated costs in our future acquisitions;
- we are dependent on relationships with third-party suppliers;
- production and supply by our suppliers may be interrupted;
- political instability may disrupt our supply chain, adversely affecting the availability of our products and raw materials;
- we face various risks related to health epidemics, pandemics, and similar outbreaks;
- our business could be adversely impacted if we fail to maintain cost efficiencies in the supply chain and adequate inventory levels;
- any major outbreak of illness or disease relating to cattle could lead to significant shortfalls in the supply of infant milk formulas products and could cause consumers to avoid or reduce consumption of our infant formula products;
- increases in raw material prices and commodity costs that we may be unable to pass on to our consumers would reduce our profit margins and profitability;
- the manufacturing of many of our products is a highly exacting and complex process, and if our suppliers or we should encounter problems relating to the manufacturing process or losses of manufacturing certifications, our business may be adversely impacted;
- our business reputation and consumers' perception of our brand may be impacted by real or perceived quality issues, including product recalls, product liabilities or other claims;

- failure to effectively maintain or promote our brands, or to grow our marketing capabilities, may adversely affect our future success;

- we may not be able to sustain our historical sales and profit margins and further manage our growth effectively; and

- those other risks identified in the "*Risk Factors*" section of this offering memorandum.

The risks included here and elsewhere in this offering memorandum are not exhaustive. Moreover, we operate in a competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*" and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this offering memorandum. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this offering memorandum might not occur in the way we expect, or at all.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability, and most of our Subsidiary Guarantors are also incorporated outside the United States in jurisdictions such as the Cayman Islands, the British Virgin Islands ("**BVI**"), Australia and Hong Kong. The Cayman Islands, BVI, Australia, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

The Indenture and the Notes will be governed by the laws of the State of New York. Substantially all of our assets and the assets of the Subsidiary Guarantors are located outside the United States. In addition, all of our directors and officers and the Subsidiary Guarantors' directors and officers are nationals or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. Any judgment obtained in the United States against the Company or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a US court predicated upon civil liabilities under US federal or state securities laws, may not be collectible in the United States. As a result, although the Company will appoint an agent for service of process in the United States and will submit to the jurisdiction of courts located in the State of New York, in each case, in connection with any action in relation to the Notes and the Indenture or under US securities laws, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors or such persons or to enforce against us or any of the Subsidiary Guarantors or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Moreover, certain provisions of laws or of regulations may limit the possibility to enforce judicial measures rendered against the Company in the PRC, Australia, Hong Kong, the Cayman Islands and the British Virgin Islands and elsewhere on certain of its assets. If a judgment is obtained in a US court against the Company, investors will need to enforce such judgment in jurisdictions where the Company and/or its directors and executive officers have assets. Even though the enforceability of US court judgments in the PRC, Australia, Hong Kong, the Cayman Islands and the British Virgin Islands is described below, you should consult with your own advisors as needed to enforce a judgment in the PRC, Australia, Hong Kong, the Cayman Islands and the British Virgin Islands or elsewhere outside the United States.

Cayman Islands

We understand from the Initial Purchasers' Cayman Islands legal advisor, Walkers (Hong Kong), that a judgment obtained in a court of the United States will be recognized and enforced in the courts of the Cayman Islands without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the Grand Court of the Cayman Islands, where the judgment: (a) is final and conclusive; (b) is one in respect of which such United States courts had jurisdiction over the defendant according to Cayman Islands conflict of law rules; (c) is either for a liquidated sum not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations or, in certain circumstances, for in person and non-money relief; and (d) was neither obtained in a manner, nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

British Virgin Islands

We understand from the Initial Purchasers' British Virgin Islands legal advisor, Walkers (Hong Kong), that any final and conclusive judgment obtained in a court of the United States for either a liquidated sum (not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations), or in certain circumstances, for *in personam* non-money relief, such judgment will be recognized and enforced in the courts of the British Virgin Islands without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the courts of the British Virgin Islands, **provided that** (a) the judgment had not been wholly satisfied, (b) that United States court had jurisdiction in the matter and the

Subsidiary Guarantors incorporated in the British Virgin Islands either submitted to the jurisdiction of that United States court or was resident or carrying on business within such jurisdiction and was duly served with process, (c) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of a court, (d) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy or for some other similar reason the judgment could not have been entertained by the courts of the British Virgin Islands, and (e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

Australia

Clifford Chance, our counsel as to Australian law, has advised that there is doubt as to the enforceability in Australia in original actions or in actions for enforcement of judgments of US courts ("**US Judgment**") concerning civil liabilities predicated upon the civil liability provisions of the federal or state securities laws of the United States. Also, corresponding US Judgments (whether or not such judgments relate to US federal securities laws) may or will not be enforceable in Australia in certain other circumstances, including where such judgments contravene local public policy; are obtained by fraud or duress; breach the rules of natural justice or general principles of fairness; are obtained in circumstances where the judgment debtor did not receive notice of the proceedings in sufficient time to enable the judgment debtor to defend; are not for a fixed or readily ascertainable sum; are rendered by a court that did not have jurisdiction according to the private international law rules of the local court; are subject to appeal, dismissal, stay of execution, an order under the Foreign Proceedings (Excess of Jurisdiction) Act 1984 (Cth) of Australia or are otherwise not final and conclusive; involve consequential, multiple or punitive damages or proceedings of a penal nature; are in respect of taxes or any revenue law or foreign governmental interest; are in favor of a person other than the party applying for enforcement; have already been fully satisfied in another/other jurisdiction(s); are in breach of any applicable limitation periods placed upon enforcement of foreign judgments; or are on a cause of action previously adjudicated. Also, enforcement of a US Judgment in Australia would require that service of process in relation to the proceedings in connection with that US Judgment had been properly effected in accordance with applicable Australian law.

Hong Kong

Clifford Chance, our counsel as to Hong Kong law, has advised that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon US federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment on the strength of the foreign judgment, **provided that** the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment: (i) was obtained by fraud; (ii) was rendered by a foreign court that lacked the appropriate jurisdiction at the time according to Hong Kong rules; (iii) is contrary to Hong Kong rules of public policy or notion of natural justice; or (iv) is directly or indirectly for the payment of foreign taxes, penalties, fines or charges of a like nature.

PRC

Shanghai Pacific Legal, our counsel as to PRC law, has advised that there is uncertainty as to whether the courts of China would (i) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (ii) entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Shanghai Pacific Legal has further advised that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. Courts of the PRC may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country or region where the judgment is made or on the principle of reciprocity between such jurisdictions. However, the PRC does not have any civil and commercial treaties with the United States with respect to recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts of the PRC will not enforce a foreign judgment against us or our directors or officers if they decide that such judgment violates the basic principles of PRC law, national sovereignty, security or public interest. Therefore, it is uncertain whether and on what basis a court of the PRC would enforce a judgment against the Company related to the Notes and originally obtained in the United States.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the financial information contained in this offering memorandum relating to H&H has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). The reporting currency of H&H is Renminbi.

In this offering memorandum, the term "**Consolidated Financial Information**" refers to (i) the audited consolidated financial statements of the Company and its subsidiaries as of and for each of the financial years ended 31 December 2021, 2022 and 2023 (the "**Audited Consolidated Financial Statements**"), and (ii) the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries as of and for the six months ended 30 June 2023 and 2024 (the "**Unaudited Interim Condensed Consolidated Financial Statements**") forming part of this offering memorandum.

The preparation of financial statements in conformity with IFRS requires us to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are described in "*Audited Consolidated Financial Statements for the year ended 31 December 2023 — Significant Accounting Judgments and Estimates*" starting on F-93.

The Unaudited Interim Condensed Consolidated Financial Statements have not been audited and should not be relied upon by potential purchasers to provide the same quality of information associated with any audited information. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. None of the Initial Purchasers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, advisers, representatives or agents makes any representation or warranty, express or implied, regarding the sufficiency of the Unaudited Interim Condensed Consolidated Financial Statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group's financial condition and results of operations. In addition, the Unaudited Interim Condensed Consolidated Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Company or the Group for the full financial year ended 31 December 2024.

The Company and its subsidiaries publish their periodic financial information from time to time. Such periodic financial information published by the Company and its subsidiaries is normally derived from management accounts and is not audited or reviewed by independent auditors. As such, such periodic unaudited and unreviewed financial information published by the Company and its subsidiaries should not be relied upon by potential purchasers to provide the same quality of information associated with any audited or reviewed information. None of the Company, the Group, the Initial Purchasers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, advisers, representatives or agents makes any representation or warranty, express or implied, regarding the accuracy or sufficiency of such periodic unaudited and unreviewed financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group's financial condition and results of operations. In addition, such periodic unaudited and unreviewed financial information should not be taken as an indication of the expected financial condition or results of operations of the Company or the Group for the full financial year ending 31 December. Such periodic unaudited and unreviewed financial information is not included in this offering memorandum and should not be relied upon by any investors in making their investment decisions in the Notes.

Non-IFRS financial measures

Certain financial information presented in this offering memorandum consists of non-IFRS financial measures. These are supplemental measures of our performance that our management uses to assess our operating performance, and we believe that the presentation of these non-IFRS financial measures facilitates an understanding of our underlying operating performance and liquidity. We also believe that these and similar measures are used in our industry as a means of evaluating a company's operating performance, liquidity, and financing structure, and believe they present helpful comparisons of financial performance between periods by excluding the effect of certain non-recurring items.

These non-IFRS financial measures are intended only to supplement performance indicators in accordance with IFRS, and not to replace them. These measures have limitations as analytical tools, and should not be considered in isolation or as alternatives to profit before tax, profit after tax for the period or cash flow from operating activities or any other performance measure derived in accordance with IFRS. Because of these limitations, you should not place undue reliance on any of such non-IFRS measures. For a description of how these non-IFRS financial measures are calculated and a reconciliation of these measures to the most nearly comparable IFRS measures, see "*Summary Consolidated Financial Data and Other Information*".

EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Gross profit margin of the Company

We define EBITDA as profit for the year/period before income tax expense, finance costs, bank interest income, interest income from loans and bonds receivable, depreciation and amortization.

We define Adjusted EBITDA as EBITDA adjusted to remove the following non-cash or one-time items as described below. The following items have been excluded from EBITDA:

(a) Foreign exchange differences which mainly arose due to the significant fluctuation of the exchange rates of Renminbi, US dollar, Euro and Australian dollar in the periods under review.

(b) Fair value gains or losses on financial instruments arising due to the changes in fair value of derivatives we entered into, such as cross currency interest rate swaps and cross currency swaps to manage our interest rate risk and foreign currency risk in respect of our US dollar-denominated debt instruments and foreign currency risk in respect of our investment in foreign operations, the early redemption options embedded in the senior notes and the warrants issued by Else Nutrition Holdings Inc.

(c) Fair value gains or losses on other non-current financial assets arising due to the changes in fair value of the investment in ISM, the unlisted investments made by NewH^2 and USD denominated loan receivable.

(d) Non-cash impairment of goodwill in relation to the previous acquisition of Changsha China IMF manufacturing plant in 2013, the acquisition of Good Goût™ in EU in 2018, and the acquisition of Aurelia in EU in 2019, and non-cash impairment of intangible assets in relation to the previous acquisition of Aurelia in EU in 2019.

(e) Transaction costs directly related to the acquisition of Zesty Paws in 2021, which included advisory and consulting fees paid to financial advisors, due diligence and legal fees.

(f) Non-recurring impact on COGS is in relation to the one-time mark-to-market increase for the value of inventory in the acquisition of Zesty Paws.

(g) Gain from the partial repurchase of the 2019 Notes on market in 2022, the partial repurchase of the 2019 Notes and the 2026 Notes in the six months ended 30 June 2023 and the year ended 31 December 2023, and the partial repurchase of the guaranteed bonds in the six months ended 30 June 2024, respectively.

(h) Other adjustments, including (reversal of) equity-settled share options and share award expenses, (reversal of) impairment of property, plant and equipment, (reversal of) impairment of trade receivables, other receivables and inventory, (gain)/loss on disposal of property, plant and equipment, intangible assets and leasehold land, share of losses/(profits) of associates, and other investment income.

Our management considers Adjusted EBITDA to be a more accurate reflection of the underlying performance of our business and believes that this measure provides additional useful information for prospective investors on our performance and is consistent with how business performance is measured internally.

We use Adjusted EBITDA and EBITDA as internal measures of performance to benchmark and compare performance, both between our own operations and against other companies. These measures are used, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performance of our business. We believe EBITDA-based and other measures are useful and commonly used measures of financial performance in addition to net profit and other profitability measures under IFRS because they facilitate operating performance comparisons from period to period and company to company. By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures, non-recurring expenses or exceptional sales discounts, one time charges or gains related to acquisitions and divestitures, we believe EBITDA-based and other measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe EBITDA-based and other measures are regularly used by the investment community as a means of comparison of companies in our industry.

Different companies and analysts may calculate EBITDA-based and other measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based and other measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of our operations in accordance with IFRS. EBITDA-based measures have limitations as analytical tools. Some of these limitations include the following: (i) they do not reflect our cash expenditures or future requirements for capital commitments or contractual commitments; (ii) they do not reflect changes in, or cash requirements for, our working capital needs; (iii) they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt; (iv) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and these non-IFRS financial measures do not reflect any cash requirements for such replacements; (v) they do not reflect any cash income taxes that we may be required to pay; (vi) they are not adjusted for all non-cash income or expense items that are reflected in our consolidated profit or loss; (vii) they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations; and (viii) other companies in our industry may calculate these measures differently than we do, thereby limiting their usefulness as comparative measures.

Neither EBITDA nor Adjusted EBITDA is used in the Indenture. The term "**Consolidated EBITDA**" is used in the Indenture and is not the same as EBITDA or Adjusted EBITDA as presented in the remainder of this offering memorandum. The financial information included in this offering memorandum is not intended to comply with the SEC's reporting requirements.

We define EBITDA margin as EBITDA as a percentage of revenue and define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of revenue. We define gross profit margin as gross profit as a percentage of revenue.

Pre-tax operating cash flow

We define pre-tax operating cash flow as cash generated from operations.

Cash conversion rate

We define cash conversion rate as pre-tax operating cash flow as a percentage of Adjusted EBITDA.

Total borrowings

We define total borrowings as total interest-bearing bank loans, senior notes and lease liabilities.

Net borrowings

Net borrowings represent total borrowings, less (i) cash and cash equivalents, (ii) restricted deposits for customs duties, (iii) restricted deposits for leases and (iv) restricted deposits for operating activity of a subsidiary.

Rounding

Certain data contained in this offering memorandum, including financial information, has been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column, row or table may not conform exactly to the total figure given for that column, row or table, or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

Non-financial operating data

Certain key performance indicators and other non-financial operating data included in this offering memorandum are derived from management estimates, are not part of our financial statements or financial accounting records, and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS.

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SUMMARY

This summary contains information about the offering and about us. It does not contain all the information that may be important to you in deciding whether to invest in the Notes. You should read the entire offering memorandum carefully, including the section titled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision. Certain defined terms used herein are defined elsewhere in this offering memorandum.

Overview

We are an all-round premium nutrition and wellness provider for the entire family. We provide high-end adult, pediatric and pet nutrition and care products through our seven major brands — Swisse™, Biostime™, Zesty Paws™, Solid Gold™, Dodie™, Good Goût™ and Aurelia™ and have established market positions in China, Australia, New Zealand, the United States, France, Italy, Hong Kong, the United Kingdom and increasing market recognition in other international markets.

We are committed to providing high-end, scientific nutrition and health solutions for the whole family. Adhering to the mission of making people healthier and happier, we are committed to become a global leader in premium nutrition and wellness through our premium products and aspirational brand. Our business operations consist of three strategic segments: (i) adult nutrition and care which comprises the distribution of vitamins, health supplements, skin care products for adults; (ii) baby nutrition and care, divided into three sub segments — infant formulas for children under seven years old and milk formulas for expectant and nursing mothers, pediatric probiotic and nutritional supplements in the form of sachets, capsules and tablets for infants, children and expectant mothers, and other pediatric products; and (iii) pet nutrition and care which comprises the production of food and health supplements products for pets.

Our adult nutrition and care products are sold under our Swisse™ and Aurelia™ brands and made available globally, with a principal presence in Australia, New Zealand, China, Italy, Hong Kong SAR, Singapore, Thailand, Malaysia and the United Kingdom. Biostime™, Dodie™ and Good Goût™ are currently our principal brands for selling our baby nutrition and care products. These products are principally sold in China, France, Australia and Hong Kong SAR. Zesty Paws™ and Solid Gold™ are the principal brands under which we currently sell our pet nutritional supplements and pet food products primarily in the United States and China.

We are an established and leading provider of VHMS in China and Australia, with a growing presence in international markets, such as Italy, Singapore, Hong Kong, Thailand, India and Malaysia. According to Early Data, in China, Swisse™ was ranked No. 1 in terms of sales value in the VHMS products under the health products category on the Alibaba, JD, VIP, Suning, Kaola and Amazon platforms combined for the year ended 31 December 2023 and for the twelve months ended 30 June 2024, with market shares of 8.1% and 8.0%, respectively. According to IQVIA™, Swisse holds a leading position in Australia. Swisse has become the No. 1 brand in the Australian market with an increased market share as of 31 December 2023 of 13.7% and as of 30 June 2024 of 13.6%, having earlier passed the AUD1 billion global sales milestone in the twelve months to 30 June 2023, a three-time sales increase since we acquired the brand in 2015. Additionally, we have maintained our high market share rankings in other territories, proudly securing No. 1 market share position in the beauty VHMS, liver health and men's health markets in Singapore as of 30 June 2024, according to research statistics by Nielsen, and No. 2 market position in beauty VHMS in Italy as of June 2024, according to research statistics by IMS IQVIA.

We are also an established and leading provider of baby nutrition and care products in China. Our infant formula offering is positioned at the premium end of the market and targets educated consumers with a relatively high disposable income. For the year ended 31 December 2023 and for the twelve months ended 30 June 2024, we were the fourth and third largest participant in the super-premium tier with 12.4% and

13.0% market share by offline retail sales value, respectively. We believe we were a pioneer in the children's probiotics market in China. We were the first company in China to register probiotics as health food supplements for infants and children in 2002 and have established a leading market position and high brand recognition since then. According to Euromonitor statistics certification, Biostime™ is the leading player of children pediatric probiotic and nutritional supplements in the world.

We are a pioneer and market leader in the pet food and supplement market in the United States and China. Zesty Paws is a leading online premium pet supplement brand and highly disruptive category pioneer in the United States, recognized as one of the America's most well-established pet supplement brands. Solid Gold is positioned as the United States' first holistic pet nutrition brand, which has established a strong brand image, offering a robust range of premium and high-quality nutrition solutions for cats and dogs. As of 30 June 2024, Solid Gold is the No. 2 brand in China's online premium cat dry food category. This success is complemented by the launch of innovative new products as we expand into the rapidly growing pet supplement market, according to research by SmartPath.

For the years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2023 and 2024, we generated revenue of RMB11,547.8 million, RMB12,775.9 million, RMB13,926.5 million (USD1,916.4 million), RMB6,980.8 million and RMB6,692.1 million (USD920.9 million), respectively, and gross profit of RMB7,248.0 million, RMB7,703.5 million, RMB8,294.3 million (USD1,141.3 million), RMB4,262.4 million and RMB4,072.3 million (USD560.4 million), respectively.

Our Strengths

We believe that the following strengths contribute to our competitive position in the adult nutrition, baby nutrition and care as well as pet nutrition and care markets:

- we operate in large and growing industries supported by favorable demographic and consumer trends;
- we have established market leading positions that provide a sustainable competitive advantage;
- we are recognized for offering high quality, innovative and proven products;
- our brands have strong awareness, enhanced by our proven and effective marketing and proprietary consumer relationship systems;
- we have a large and diversified distribution network that provides scale and broad consumer access;
- we abide by highly disciplined and prudent financial policies contributing to resilient performance supporting high cash flow conversion; and
- experienced and highly capable management team with proven track record of performance.

Our Strategies

Our vision is continue to be a leading global nutrition and wellness company leveraging our premium products and our aspirational brands. In order to achieve that vision, we aim to pursue the following strategies:

- grow our vitamins and supplements business, maintain our established position in the IMF business and focus on the most attractive distribution channels;
- continue to position ourselves as a premium all-round family nutrition provider;

- continue to invest in new product development and innovation;
- leverage synergies and competitive advantages from the integration of our core brands within businesses;
- continue to generate strong cash flow to support deleverage; and
- continue to focus on sustainability and prioritize ESG initiatives.

Recent Developments

Our total revenue for the nine months ended 30 September 2024 (the "**Relevant Period**") decreased as compared with the corresponding period in 2023. This was primarily due to a decline in IMF sales. This decline reflects ongoing industry challenges in the IMF category in China and the longer than expected time required to complete the entire transition cycle for our new 'GB' series in China. Despite these challenges, we continued to grow our market share, our key focus market, the super-premium IMF segment. According to market data for the twelve months ended September 2024 by Nielsen, our market share increase from 11.8% to 13.1% and reaching 14.0% in the month of September 2024. Total revenue of our ANC segment for the nine months ended 30 September 2024 increased as compared with the corresponding period in 2023. This was mainly driven by healthy growth momentum in China, Australia and New Zealand and other expansion markets. We maintain our No.1 position in Australia, aim to continue gaining market share and strengthening our leadership position domestically. In Asia and Europe, our focus is on driving higher growth and improving profitability. Total revenue of our PNC segment for the nine months ended 30 September 2024 increased as compared with the corresponding period in 2023. This was mainly attributable to on-track double digit growth of Zesty Paws in North America despite the decline of Solid Gold's pet food sales amid its ongoing channel optimisation and portfolio premiumisation.

Revenue from China, our largest market, decreased on a year-on-year basis led by a low double-digit revenue decline in our PNC business, partially offset by mid-to-high single digit growth in our ANC segment and a double-digit revenue decline in our BNC business. Growth of our ANC segment sales was driven by consumer demand for beauty, multi-vitamins and detox products, as well as the continued strong growth of innovative categories such as the Swisse Plus+ range. Sales in the cross-border e-commerce ("**CBEC**") channel contributed the majority of our China ANC revenue and grew by mid-to-high single digit, supported by the launch of more innovative categories, continued consumer education and effective marketing. In the normal trade channel, sales grew modestly as the offline market continued to face reduced foot traffic and sector-wide challenges across the supplements category within the pharmacy channel, partially offset by the moderate growth of the online normal trade market. Swisse maintained its No. 1 position in the China online VHMS market, according to Early Data and its No. 2 brand position in the overall VHMS market, according to Kantar Worldpanel.

We continued to capitalize on increasing consumer segmentation and penetration through our focused mega-brand strategy to cater to more diverse consumers. Notably, Swisse Plus+, with its higher profitability, made a double-digit contribution to total ANC revenue in China for the Relevant Period.

Revenue attributed to our BNC segment was impacted by the ongoing industry challenges in the super-premium IMF segment in China and the time required to complete the entire transition cycle for our new 'GB' series, including depleting our old 'GB' IMF products, replacing our Pi- Star Flagship series, introduction the new Pi-Star sub-series, and increased efforts to acquire new customers.

Despite the ongoing challenges, we continued advancing our strategy to grow market share, securing the No. 3 position in the overall super-premium IMF segment in China, with rising market share according to Nielsen. Following the launch of our new Pi-Star sub-series, the market share of our Pi Star Family

rebounded to a similar level of market share as prior to New 'GB' transition in the baby specialty store channel in September according to Nielsen. Additionally, since the full launch of the new 'GB' series at the end of the first quarter of 2024, despite the one-off related costs incurred, our Biostime IMF saw encouraging new customer acquisition and brand awareness gains. Keyword searches among target customers on platforms like Little Red Book and Douyin have increased notably since the second quarter of 2024, particularly among those seeking IMF recommendations for early-stage products. On e-commerce channels, search volume for our Biostime early-stage IMF increased significantly in the third quarter as compared to first quarter in 2024, outperforming the industry average.

During the Relevant Period, sales of our high-margin pediatric probiotic and nutritional supplements declined as compared to the nine months ended 30 September 2023 due to a high base and continued lower traffic and sector-wide challenges across the supplements business within the pharmacy channel. Within this category, sales of pediatric probiotics declined while sales of pediatric nutritional supplements grew significantly, driven by increasing demand for pediatric nutritional supplements, including for our innovative products such as Lactoferrin, Lutein gummies, DHA and calcium that support the physical and mental well-being of children. Additionally, we launched innovative pediatric probiotic products tailored for health needs beyond gut health, such as nasal allergy, helping to maintain Biostime's leading position in pediatric probiotics in China.

Sales in our PNC segment in China decreased for the Relevant Period as compared to the nine months ended 30 September 2023 as we continued to premiumize the brand through channel optimisation, pet food portfolio uplift, and reallocate resources into fast growing pet supplement categories with higher margins to improve profitability. According to SmartPath, Solid Gold ranked No.2 in China's online premium dry cat food category for the twelve months ended June 2024 amid its shifting product focus. We have made steady progress in this process, with new high-margin pet food and supplement products reaching double digit contribution to our total PNC revenue in China.

We remain dedicated to driving the growth of our high-margin, fast growing nutritional supplements across our regions. In China, we expect healthy and sustainable growth in our ANC business with Swisse maintaining its No. 1 position in the online market and gain further market share in the overall market. Regarding our BNC business, we expect its performance will continue to be under pressure primarily due to the ongoing challenges in our IMF business and pediatric probiotics business for the full year of 2024, despite the moderate offset from growth of our pediatric nutritional supplements. While the decline of the overall super-premium IMF segment in China is expected to narrow gradually, we plan to remain focused on acquiring new consumers and improving channel distribution with Pi- Star Flagship series and channel-tailored sub series. Solid Gold's performance in China will continue to be impacted by its ongoing restructuring which is focused on premiumisation and channel optimisation. In the ANZ market, we plan to maintain a steady rate of growth as the market continues to normalize. Our sales will be driven in part by two key innovations: a first-to-market Nootropics range for cognitive health, and a Smart Melts range, offering convenient, dissolvable formats targeting stress, sleep, energy and detox. We also plan to launch the second year of our award-winning 'Go the Swisse to Sleep' marketing campaign, to further solidify our leadership in the 'Sleep' category. In North America, our growth trajectory remains on track, led by Zesty Paws which is continuing to pursue expansion opportunities in not only North America but also the UK, Europe, ANZ and Asia. Meanwhile, the short-term performance of Solid Gold will continue to be impacted by the continued optimization of its product portfolio and channels in North America, with the reorganization of the business scheduled to be completed by the end of 2024.

As of 30 September 2024, we maintained a stable level of liquidity, reflecting our dedication to maintaining a healthy level of cash conversion. We also completed major refinancing exercises planned for 2024. Since the beginning of 2024, we have taken several important steps to diversify our sources of funding and optimize our capital structure. These efforts included completing the issuance of the RMB Bonds of RMB500 million and USD120,200,000 of additional 2026 Notes, and entering a CNH term loan facility equivalent to USD150 million under the Zinc Facilities. On 13 November 2024, we completed a

new USD540 million term loan drawdown under the Omega Facilities, which is a sustainability-linked term loan facility, and fully prepaid the Senior Term Facilities, marking the completion of our major refinancing initiatives for 2024. Upon prepayment, the remaining capitalized transaction costs associated with the Senior Term Facilities have been written off on a non-cash basis. For more information, see *"Description of Certain Financing Arrangements"*.

On 1 October 2024, we undertook the first scheduled alternation of CEO of the Group, a position that was formerly held by Mr. Akash Bedi, regional CEO of North America, Europe, Middle East and India, who sits alongside the chairman, the chief financial and operating officer and the chief people officer in the Group's CEO Office. Mr. Nicholas Russell Lamande Mann, regional CEO of Asia, Australia and New Zealand has rotated into the CEO position of the Group for a period of nine months. Since 1 December 2024, we have decentralized our global innovation, research, and quality control functions. The role of Group Chief Technology Officer has been replaced by a Director of Innovation and Research in each region, who reports to the respective regional CEOs. Additionally, the quality leads also now report directly to the respective regional CEOs. For more information, see "*Management*".

Concurrent Tender Offer

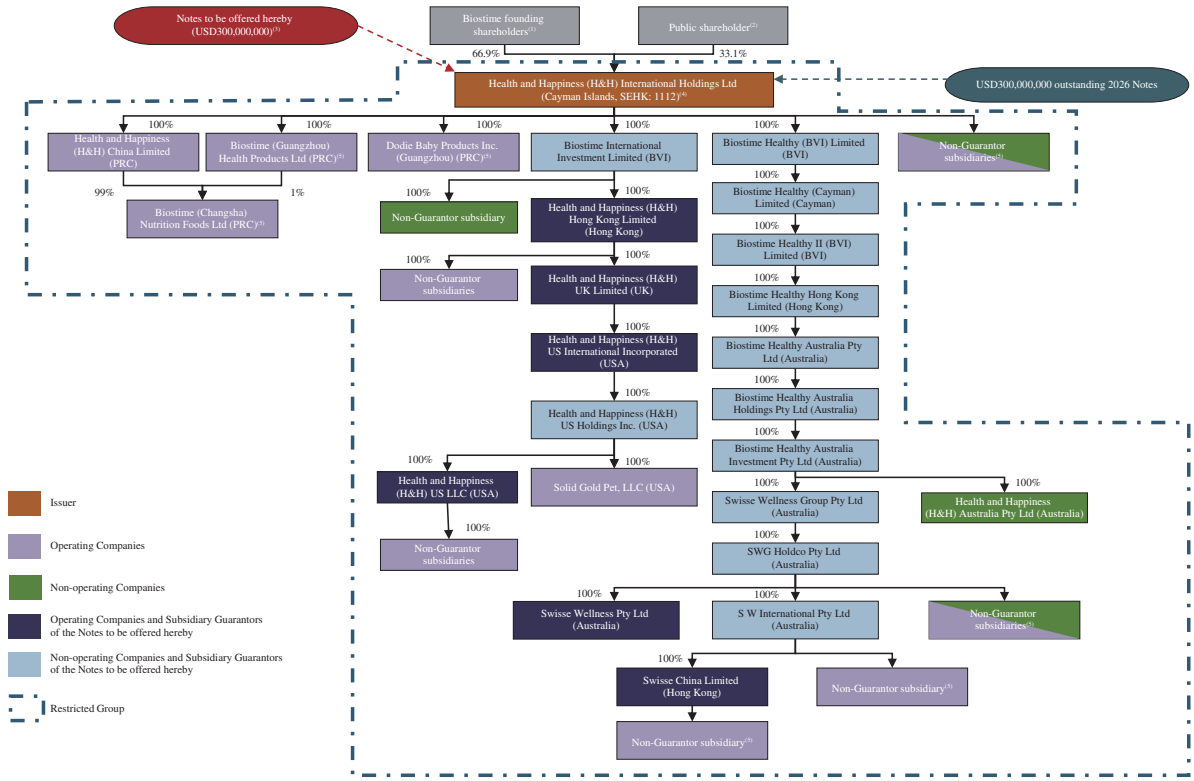
Concurrently with this offering, the Company commenced a cash tender offer (the "**Concurrent Tender Offer**") to repurchase up to a maximum acceptance amount (to be determined by the Company as soon as reasonably practicable after the pricing of this offering of the Notes) of the 2026 Notes from eligible holders of 2026 Notes ("**2026 Notes Noteholders**"). The Concurrent Tender Offer will expire at 4:00 p.m. London time on January 21, 2025, unless extended (the "**Expiration Deadline**"). 2026 Notes Noteholders who validly tender their 2026 Notes prior to the Expiration Deadline will receive USD1,098 per USD1,000 principal amount of the 2026 Notes accepted for purchase, together with any accrued and unpaid interest, from and including the last interest payment date up to, but excluding, the settlement date of the Concurrent Tender Offer on the principal amount of all 2026 Notes accepted for purchase pursuant to the Concurrent Tender Offer.

The Concurrent Tender Offer is subject to a number of conditions, including a financing condition that requires the successful completion of this offering. The Concurrent Tender Offer is being made only pursuant to the terms and subject to the conditions of the tender offer documents. This offering memorandum does not constitute an offer to buy or the solicitation of an offer to sell or deliver any consent with respect to the 2026 Notes.

The Company intends to use a portion of the net proceeds from this offering to fund the purchase of the 2026 Notes tendered in the Concurrent Tender Offer. See "*Use of Proceeds*".

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram shows a simplified summary of our corporate and financing structure as of 30 June 2024. The following is provided for indicative and illustration purposes only and should be read in conjunction with the information contained in this offering memorandum as a whole. The diagram does not include all of our subsidiaries, nor all of the debt obligations thereof. For a summary of the debt obligations identified in this diagram, see the sections titled "*Description of the Notes*", "*Description of Certain Financing Arrangements*" and "*Capitalization*".



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(1) Represents the shares owned by Coliving Holdings Limited (formerly Biostime Pharmaceuticals (China) Limited). As of 30 June 2024, Coliving Holdings Limited was owned as to 57.25% by Coliving Limited, and therefore, Coliving Holdings Limited was deemed to be controlled by Coliving Limited. Coliving Limited is owned as to 100.00% by Flying Company Limited, and therefore, Coliving Limited is deemed to be controlled by Flying Company Limited. UBS Trustees (BVI) Limited, the trustee of each of the family trusts set up by Mr. Luo Fei as the settlor ("**Mr. Luo Fei's Family Trust**") and Mr. Luo Yun as the settlor ("**Mr. Luo Yun's Family Trust**"), through its nominee UBS Nominees Limited, holds the entire issued share capital of Flying Company Limited and Sailing Group Limited as the respective trust assets under Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust. The beneficiaries of Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust are Mr. Luo Fei and his family members, and Mr. Luo Yun and his family members, respectively. Mr. Luo Fei and Mr. Luo Yun are directors of the Company. As from 7 April 2022, Sailing Group Limited no longer held shares in Coliving Limited which is deemed to be interested in the Company's shares held by Coliving Holdings Limited. Mr. Luo Yun ceased to be interested in the shares as a founder of the relevant trust, but continued to be interested in the same shares in the capacity of a beneficiary of another trust which is indirectly interested in the relevant shares of the Company.

(2) As of 30 June 2024.

(3) The Notes will be jointly and severally guaranteed on a senior basis by all of the Restricted Subsidiaries that are obligors under the Senior Facilities (as defined herein) other than the Restricted Subsidiaries organized under the laws of the PRC. The Company and the Subsidiary Guarantors represented 72.6% and 71.8% of our consolidated assets, 44.4% and 50.0% of our consolidated revenues and 69.7% and 62.9% of our Adjusted EBITDA as of and for the year ended 31 December 2023 and the six months ended 30 June 2024, respectively.

(4) Health and Happiness (H&H) International Holdings Limited is the issuer of the Notes. All covenants in respect of the Notes apply to the issuer and its restricted subsidiaries. For further information on the covenants, see "*Description of the Notes — Certain Covenants*".

(5) As of 30 June 2024, the non-guarantor subsidiaries did not have external borrowings. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor subsidiaries, such non-guarantor subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets of the Company. See "*Risk Factors — Risks relating to the Notes, the Subsidiary Guarantees and the Collateral — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities and obligations of our subsidiaries that do not guarantee the Notes*".

THE OFFERING

The following summary of the offering contains basic information about the Notes, the Subsidiary Guarantees and the Collateral. It may not contain all of the information that is important to you and is subject to limitations and exceptions. For additional information regarding the Notes, the Subsidiary Guarantees and the Collateral, see "Description of the Notes".

Issuer	Health and Happiness (H&H) International Holdings Limited 健合(H&H)國際控股有限公司 (the "**Company**").
Notes offered	USD300,000,000 aggregate principal amount of 9.125% Senior Notes due 2028 (the "**Notes**").
Offering price	98.327% of the principal amount of the Notes.
Issue Date	January 24, 2025.
Maturity date	The Notes will mature on July 24, 2028.
Interest	The Notes will bear interest from and including January 24, 2025 at the rate of 9.125% per annum, payable semi-annually in arrear.
Interest payment dates	January 24 and July 24 of each year, commencing July 24, 2025.
Subsidiary Guarantees	Each of the Subsidiary Guarantors will jointly and severally guarantee, on a senior basis, the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The initial Subsidiary Guarantors will be: Health and Happiness (H&H) Hong Kong Limited, Biostime Healthy (BVI) Limited, Biostime Healthy (Cayman) Limited, Biostime Healthy II (BVI) Limited, Biostime Healthy Hong Kong Limited, Swisse China Limited, Biostime Healthy Australia Pty Ltd, Biostime Healthy Australia Holdings Pty Ltd, Biostime Healthy Australia Investment Pty Ltd, Swisse Wellness Group Pty Ltd, SWG Holdco Pty Ltd, Swisse Wellness Pty Ltd, Health and Happiness (H&H) US International Incorporated, S W International Pty Ltd, Health and Happiness (H&H) US LLC (formerly known as Zesty Paws LLC), Health and Happiness (H&H) US Holdings Inc., Health and Happiness (H&H) UK Limited and Biostime International Investment Limited. As of and for the year ended 31 December 2023 and six months ended 30 June 2024, the Company and the Subsidiary Guarantors represented 72.6% and 71.8% of our consolidated assets, 44.4% and 50.0% of our consolidated revenues and 69.7% and 62.9% of our Adjusted EBITDA, respectively.

A Subsidiary Guarantee may be released in certain circumstances. See "*Description of the Notes — The Subsidiary Guarantees — Release of the Subsidiary Guarantees*" in this offering memorandum.

The initial Subsidiary Guarantors that will execute the Indenture on the Issue Date will consist of all of the Restricted Subsidiaries that are obligors under the Senior Facilities other than the Restricted Subsidiaries organized under the laws of the PRC. For further information on the Senior Facilities, see "*Description of certain financing arrangements — Senior Facilities*".

Ranking of the Notes . . . . . The Notes will, upon issuance, be:

- general secured obligations of the Company;
- secured as set forth under "— *Collateral*";
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- ranked *pari passu* with all existing and future secured Indebtedness of the Company that is secured on a first-priority basis by assets that secure the Notes (including the Indebtedness under the Senior Facilities and certain Hedging Obligations) and effectively subordinated to all existing and future secured Indebtedness of the Company that is secured by assets of the Company that do not secure the Notes, to the extent of the value of the assets securing such Indebtedness (see "*Description of certain financing arrangements*");
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, and to the limitations described under "*Description of the Notes — The Subsidiary Guarantees*" and in "*Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees and the Collateral*"; and
- effectively subordinated to all existing and future obligations of Restricted Subsidiaries that are not Subsidiary Guarantors (the "**Non-Guarantor Subsidiaries**").

Ranking of Subsidiary Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor will be: • a senior obligation of such Subsidiary Guarantor; • ranked *pari passu with* all existing and future secured Indebtedness of such Subsidiary Guarantor that is secured on a first-priority basis by assets that secure such Subsidiary Guarantee (including the Senior Facilities and certain Hedging Obligations); • effectively subordinated to the secured obligations of such Subsidiary Guarantor secured by assets of such Subsidiary Guarantor that do not secure such Subsidiary Guarantee, to the extent of the value of the assets securing such Subsidiary Guarantee; • senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Collateral	The Notes will be secured on a first-ranking basis (pursuant to the terms of the Security Documents) by customary debentures/security agreements over all or substantially all assets of the Company and each initial Subsidiary Guarantor (in each case other than any assets located in the PRC or Capital Stock of subsidiaries in the PRC that will not secure the Notes) as well as pledges/charges over shares of each initial Subsidiary Guarantor, Health and Happiness (H&H) China Limited and Biostime (Guangzhou) Health Products Limited. The Collateral is subject to the terms of the Intercreditor Agreement and may be limited by applicable law or subject to certain defences that may limit its validity or enforceability. The Collateral may be released in certain circumstances. See "*Description of the Notes — Security*".
Use of proceeds	The gross proceeds of the offering of the Notes for cash pursuant to this offering will be approximately USD294.98 million. The net proceeds from the issuance of the Notes are expected to be applied for refinancing of the Company's existing indebtedness including funding the repayment of the 2026 Notes together with the accrued interests, through the Concurrent Tender Offer announced by the Company on 13 January 2025.
Optional redemption	At any time and from time to time on or after July 24, 2026, the Company may redeem the Notes, in whole or in part, at the redemption prices set forth in "*Description of the Notes — Optional redemption*", plus accrued and unpaid interest to, but not including, the redemption date.

	At any time prior to July 24, 2026, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, but not including, the redemption date, as set forth in the section titled "*Description of the Notes — Optional redemption*". At any time and from time to time prior to July 24, 2026, the Company may redeem up to 40% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in one or more Equity Offerings at a redemption price of 109.125% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the applicable redemption date; provided that at least 60% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering. See "*Description of the Notes — Optional redemption*".
Repurchase of the Notes upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date. See "*Description of the Notes — Repurchase of Notes upon a Change of Control Triggering Event*".
Additional Amounts	All payments in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto), except as required by law of a relevant jurisdiction. If withholding or deduction is required by law of any relevant jurisdiction, subject to certain exceptions, the Company or the applicable Subsidiary Guarantor, as the case may be, will pay additional amounts as may be necessary so that the net amount received by each holder of a Note (including additional amounts) after such withholding or deduction will not be less than the amount such holder would have received if such withholding or deduction had not been required. See "*Description of the Notes — Additional Amounts*".

Redemption for taxation reasons	Subject to certain exceptions and as more fully described in the section entitled "*Description of the Notes — Redemption for Taxation Reasons*", the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to (but not including) the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "*Description of the Notes — Redemption for taxation reasons*".
Covenants	The Company will issue the Notes under the Indenture, which will, among other things, limit our ability and the ability of our Restricted Subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock; • make investments or other specified Restricted Payments; • pay dividends or make other distributions or repurchase or redeem our Capital Stock; • issue or sell Capital Stock of Restricted Subsidiaries; • create liens on assets to secure indebtedness; • guarantee indebtedness of the Company or Restricted Subsidiaries; • transfer or sell assets; • enter into, renew or extend certain transactions with shareholders or affiliates; • enter into agreements that restrict our Restricted Subsidiaries' ability to pay dividends; • enter into sale and leaseback transactions; • impair the security interests in respect of the collateral; • enter into unrelated businesses; and • merge or consolidate with or into another company. These covenants will be subject to a number of important exceptions and qualifications. For more details, see "*Description of the Notes*".

Events of Default	Events of default with respect to the Notes include failure to pay principal, premium (if any), interest or additional amounts. See "*Description of the Notes — Events of Default*".
Further Issues	Subject to the covenants in the Indenture, the Company may from time to time, without the consent of the holders of the Notes, issue further securities having the same terms and conditions as the Notes in all respects (except for the issue date, issue price and the first interest period and, to the extent necessary, certain temporary securities law transfer restrictions). Any further securities may be consolidated with, and form a single series with, the Notes, provided that such further securities will not be issued under the same ISIN or Common Code as the outstanding Notes unless such further securities are fungible with the previously outstanding Notes for US federal income tax purposes. See "*Description of the Notes — Further Issues*".
Form, denomination and registration	The Notes will be issued only in fully registered form, registration without coupons, in minimum denominations of USD200,000 of principal amount and integral multiples of USD1,000 in excess thereof and will be initially represented by one or more global notes deposited with a custodian for, and registered in the name of a common depositary (or its nominee) for Euroclear or Clearstream. See "*Description of the Notes — Book-Entry; Delivery and Form*".
Book-entry only	The Notes will be issued in book-entry form through the facilities of Euroclear or Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "*Description of the Notes — Book-Entry; Delivery and Form*".
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about January 24, 2025 which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "**T+5**". You should note that initial trading of the Notes may be affected by the T+5 settlement. See "*Plan of distribution*".
No prior market	The Notes will be new securities for which there is no established market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, the Initial Purchasers are not obligated to do so and may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Paying and Transfer Agent and Registrar	The Hongkong and Shanghai Banking Corporation Limited.
Security Agent	The Hongkong and Shanghai Banking Corporation Limited.

Rating	The Notes are expected to be rated BB by Standard and Poor's Ratings Services and Ba3 by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.
Listing	Application will be made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt issue to Professional Investors only.
Clearing System and Settlement .	The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "*Description of the Notes — Book-Entry; Delivery and Form*". Certain trading information with respect to the Notes is set forth below: **ISIN XS2971969287** **Common Code 297196928**
LEI	2138007WU5DJFZFDDV59.
Tax considerations	You should carefully review the information regarding tax considerations relevant to an investment in the Notes under "*Tax considerations*", and you are urged to consult your own tax advisors prior to investing in the Notes.
Governing law	The Notes, the Subsidiary Guarantees and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York. The Intercreditor Agreement is governed by and will be construed in accordance with English law.
Risk factors	Investing in the Notes involves risks. You should carefully consider the information under the caption "*Risk Factors*" and other information included in this offering memorandum before deciding whether to invest in the Notes.
Selling restrictions	The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered except outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. See the section titled "*Plan of Distribution*".

SUMMARY CONSOLIDATED FINANCIAL DATA AND OTHER INFORMATION

The following tables set forth our summary historical consolidated financial information as of and for the dates and periods indicated as well as certain other financial and operating data.

Consolidated Financial Information

Summary consolidated statement of profit or loss and other comprehensive income

	For the year ended 31 December				For the six months ended 30 June		
IFRS	**2021**	**2022**	**2023**		**2023**	**2024**	
				(in millions)			
	(RMB)	**(RMB)**	**(RMB)**	**(USD)**	**(RMB)**	**(RMB)**	**(USD)**
		(Audited)				**(Unaudited)**	
Revenue	11,547.8	12,775.9	13,926.5	1,916.4	6,980.8	6,692.1	920.9
Cost of sales	(4,299.8)	(5,072.4)	(5,632.2)	(775.0)	(2,718.4)	(2,619.8)	(360.5)
Gross profit	**7,248.0**	**7,703.5**	**8,294.3**	**1,141.3**	**4,262.4**	**4,072.3**	**560.4**
Other income and gains	108.4	219.8	214.6	29.5	156.5	118.2	16.3
Selling and distribution costs	(4,971.9)	(5,235.2)	(5,599.7)	(770.5)	(2,641.1)	(2,653.8)	(365.2)
Administrative expenses	(695.7)	(727.7)	(848.5)	(116.8)	(412.4)	(405.9)	(55.9)
Other expenses	(554.3)	(382.2)	(336.4)	(46.3)	(104.1)	(161.0)	(22.2)
Finance costs	(285.1)	(525.7)	(773.5)	(106.4)	(358.0)	(433.3)	(59.6)
Share of profits/(losses) of associates	0.9	(21.6)	(17.2)	(2.4)	(0.1)	(12.7)	(1.7)
Profit before tax	**850.2**	**1,030.9**	**933.6**	**128.5**	**903.2**	**523.9**	**72.1**
Income tax expense	(341.7)	(419.1)	(351.8)	(48.4)	(295.1)	(218.1)	(30.0)
Profit for the year/period	**508.5**	**611.8**	**581.8**	**80.1**	**608.0**	**305.8**	**42.1**

Summary consolidated statements of financial position data

	As of 31 December				As of 30 June	
IFRS	**2021**	**2022**	**2023**		**2024**	
				(in millions)		
	(RMB)	**(RMB)**	**(RMB)**	**(USD)**	**(RMB)**	**(USD)**
		(Audited)			**(Unaudited)**	
Cash and cash equivalents	2,400.1	2,303.7	1,364.3	187.7	2,379.1	327.4
Total assets	20,281.7	20,963.0	20,042.0	2,757.9	20,332.4	2,797.8
Total liabilities	14,396.6	14,821.2	13,746.7	1,891.6	13,872.6	1,908.9
Equity attributable to the owners of the parent	5,885.2	6,141.9	6,295.3	866.3	6,459.8	888.9

Summary consolidated statements of cash flows data

	For the year ended 31 December				For the six months ended 30 June		
IFRS	**2021**	**2022**	**2023**		**2023**	**2024**	
				(in millions)			
	(RMB)	**(RMB)**	**(RMB)**	**(USD)**	**(RMB)**	**(RMB)**	**(USD)**
		(Audited)				**(Unaudited)**	
Net cash flows from operating activities	1,890.1	1,469.3	1,096.8	150.9	22.1	1,052.5	144.8
Net cash flows (used in)/from investing activities	(4,010.6)	(104.9)	(52.1)	(7.2)	(19.3)	8.4	1.2
Net cash flows from/(used in) financing activities	2,768.4	(1,489.8)	(1,994.6)	(274.5)	(205.7)	(86.7)	(11.9)

Other financial data

	For/as of the year ended 31 December				For/as of the six months ended 30 June		
	2021	2022	2023		2023	2024	
	(in millions, except as otherwise indicated)						
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(RMB)	(USD)
Revenue	11,547.8	12,775.9	13,926.5	1,916.4	6,980.8	6,692.1	920.9
EBITDA(1)	1,428.9	1,847.9	1,985.0	273.2	1,397.9	1,098.4	151.2
Adjusted EBITDA(2)	2,043.1	2,167.3	2,337.3	321.7	1,481.0	1,181.1	162.4
Adjusted EBITDA margin(3)	17.7%	17.0%	16.8%	16.8%	21.2%	17.6%	17.6%
Pre-tax operating cash flow(4)	2,223.7	1,941.9	1,653.0	227.5	359.7	1,224.4	168.5
Conversion ratio(5)	108.8%	89.6%	70.7%	70.7%	24.3%	103.7%	103.7%
Net borrowings(6)	7,077.8	7,354.9	7,850.9	1,080.4	N/A	7,205.5	991.5
Net leverage(7)	3.46x	3.39x	3.36x	3.36x	N/A	3.54x	3.54x
Interest coverage(8)	7.17x	4.12x	3.02x	3.02x	N/A	2.73x	2.73x

(1) EBITDA represents earnings for the year/period before interest, income tax expense, depreciation and amortization. The following table reconciles profit for the year/period to EBITDA for the years/periods indicated:

	For the year ended 31 December				For the six months ended 30 June		
	2021	2022	2023		2023	2024	
	(in millions)						
	(RMB)	(RMB)	(RMB)	(USD)	(RMB) (Unaudited)	(RMB) (Unaudited)	(USD) (Unaudited)
Profit for the year/period	508.5	611.8	581.8	80.1	608.0	305.8	42.1
Income tax expense	341.7	419.1	351.8	48.4	295.1	218.1	30.0
Finance costs	285.1	525.7	773.5	106.4	358.0	433.3	59.6
Bank interest income	(4.8)	(16.9)	(22.7)	(3.1)	(11.8)	(6.9)	(0.9)
Interest income from loans and bonds receivable	(7.1)	(3.1)	(1.7)	(0.2)	(1.4)	–	–
Depreciation and amortization	305.5	311.3	302.3	41.6	150.0	148.1	20.4
EBITDA	**1,428.9**	**1,847.9**	**1,985.0**	**273.2**	**1,397.9**	**1,098.4**	**151.2**

(2) Adjusted EBITDA represents EBITDA as adjusted for certain non-cash or one-time events as described below. The following table reconciles EBITDA to Adjusted EBITDA for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June		
	2021	2022	2023		2023	2024	
	(in millions)						
	(RMB)	(RMB)	(RMB)	(USD)	(RMB) (Unaudited)	(RMB) (Unaudited)	(USD) (Unaudited)
EBITDA	1,428.9	1,847.9	1,985.0	273.2	1,397.9	1,098.4	151.2
Adjustment for:							
Foreign exchange differences(a)	146.7	(76.7)	4.8	0.7	(49.3)	40.9	5.6
Fair value (gains)/losses on financial instruments(b)	134.3	(23.6)	(24.9)	(3.4)	(29.3)	(56.5)	(7.8)
Fair value (gains)/losses on other non-current financial assets(c)	4.7	26.4	(28.2)	(3.9)	4.2	(2.6)	(0.4)
Impairment of goodwill and intangible assets in relation to the acquisitions(d)	76.0	134.5	97.4	13.4	–	–	–
Non-recurring transaction costs in relation to M&A(e)	27.2	–	–	–	–	–	–
Non-recurring impact on COGS(f)	48.4	24.3	–	–	–	–	–
Gain from the partial repurchase of senior notes(g)	–	(25.2)	(20.8)	(2.9)	(13.9)	(0.4)	(0.1)
Gains from revision of lease term or early termination of leases	(18.6)	(3.2)	–	–	–	–	–
Other adjustments(h)	195.5	262.9	324.0	44.6	171.5	101.3	13.9
Adjusted EBITDA	**2,043.1**	**2,167.3**	**2,337.3**	**321.7**	**1,481.0**	**1,181.1**	**162.4**

The following items in relation to the Company have been excluded from EBITDA:

(a) Foreign exchange differences which mainly arose due to the significant fluctuation of the exchange rates of Renminbi, US dollar, Euro and Australian dollar in the periods under review.

(b) Fair value gains or losses on financial instruments arising due to the changes in fair value of derivatives we entered into, such as cross currency interest rate swaps and cross currency swaps to manage our interest rate risk and foreign currency risk in respect of our US dollar-denominated debt instruments and foreign currency risk in respect of our investment in foreign operations, the early redemption options embedded in the senior notes and the warrants issued by Else Nutrition Holdings Inc.

(c) Fair value gains or losses on other non-current financial assets arising due to the changes in fair value of the investment in ISM, the unlisted investments made by NewH^2 and USD denominated loan receivable.

(d) Non-cash impairment of goodwill in relation to the previous acquisition of Changsha China IMF manufacturing plant in 2013, the acquisition of Good Goût™ in EU in 2018, and the acquisition of Aurelia in EU in 2019, and non-cash impairment of intangible assets in relation to the previous acquisition of Aurelia in EU in 2019.

(e) Transaction costs directly related to the acquisition of Zesty Paws in 2021, which included advisory and consulting fees paid to financial advisors, due diligence and legal fees.

(f) Non-recurring impact on COGS is in relation to the one-time mark-to-market increase for the value of inventory in the acquisition of Zesty Paws.

(g) Gain from the partial repurchase of the 2019 Notes on market in 2022, the partial repurchase of the 2019 Notes and the 2026 Notes in the six months ended 30 June 2023 and the year ended 31 December 2023, and the partial repurchase of the guaranteed bonds in the six months ended 30 June 2024, respectively.

(h) Other adjustments, including (reversal of) equity-settled share options and share award expenses, (reversal of) impairment of property, plant and equipment, (reversal of) impairment of trade receivables, other receivables and inventory, (gain)/loss on disposal of property, plant and equipment, intangible assets and leasehold land, share of losses/(profits) of associates, and other investment income.

(3) Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of Revenue.

(4) Pre-tax operating cash flow represents cash generated from operations.

(5) Cash conversion rate represents pre-tax operating cash flow as a percentage of Adjusted EBITDA. See notes (2) and (4) for a description of Adjusted EBITDA and pre-tax operating cash flow.

(6) Net borrowings represent total borrowings, less (i) cash and cash equivalents, (ii) restricted deposits for customs duties, (iii) restricted deposits for leases, and (iv) restricted deposits for operating activity of a subsidiary.

The following table sets forth a reconciliation of total borrowings to net borrowings as of the periods indicated:

	As of 31 December				As of 30 June	
	2021	2022	2023		2024	
			(in millions)			
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(USD)
					(Unaudited)	
Total borrowings[(a)]	9,477.9	9,669.4	9,222.6	1,269.1	9,592.0	1319.9
Less: Cash and cash equivalents	(2,400.1)	(2,303.7)	(1,364.3)	(187.7)	(2,379.1)	(327.4)
Restricted deposits for customs duties	–	(10.0)	–	–	–	–
Restricted deposits for operating leases	–	(0.8)	(0.8)	(0.1)	(0.9)	(0.1)
Restricted deposits for operating activity of a subsidiary	–	–	(6.6)	(0.9)	(6.5)	(0.9)
Net borrowings	**7,077.8**	**7,354.9**	**7,850.9**	**1,080.4**	**7,205.5**	**991.5**

(a) Total borrowings represent total interest-bearing bank loans and other borrowings, senior notes and lease liabilities.

(7) Net leverage as of 31 December 2021, 2022 and 2023 represents the ratio of our net borrowings to our Adjusted EBITDA, respectively. See notes (2) and (6) for a description of Adjusted EBITDA and net borrowings. Net leverage as of 30 June 2024 represents the ratio of our net borrowings as of 30 June 2024 to our Adjusted EBITDA for the last twelve months ended 30 June 2024.

(8) Interest coverage for the years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2024 represents the ratio of Adjusted EBITDA over our finance costs (on a reported basis), respectively.

RISK FACTORS

An investment in the Notes involves a high degree of risk. In addition to the other information in this offering memorandum, you should carefully consider the following risk factors before purchasing the Notes. The occurrence of any of the events discussed below could materially adversely affect our business, financial condition and results of operations. The risks and uncertainties described below are not the only ones we believe we are exposed to. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any one of these events occurs, the trading price of the Notes could decline and we may not be able to pay interest or principal on the Notes when due, and you could lose all or part of your investment. The order in which these risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their severity or significance. This offering memorandum also contains forward-looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, the risks described below and elsewhere in this offering memorandum. See "Forward-looking statements" for further information.

Risks relating to our businesses and industries

The Group may be adversely affected by fluctuations in the global economy and financial markets.

The global financial markets have been affected by a general slowdown of economic growth globally, resulting in substantial volatility in global financial markets and tightening of liquidity in global credit markets. The global economic uncertainties and the euro zone sovereign debt crisis have resulted in adverse market conditions and increased volatility and weakened consumer confidence in the PRC and overseas financial markets. While it is difficult to predict how long these conditions will exist and the extent to which the Group may be affected, these developments may continue to present risks to the Group's business operations for an extended period of time, including increase in interest expenses on Group's bank borrowings, or reduction in the amount of banking facilities currently available to us.

Regional and global macroeconomic conditions, including central banks' monetary and governments' fiscal policies, economic recession, unemployment levels, corporate and private debt default rates, inflation rates, exchange rate movements, the level of business investment, the availability and cost of capital, increasing energy costs, global investor sentiment and confidence, liquidity in the financial markets, consumer spending levels and confidence, global health risks and acts of terrorism, along with global financial market turmoil and volatility generally, have affected and may continue to affect the financial condition of our customers and us, as well as commercial activity levels and demand of our customers. Any overall decline in the demand for our products could significantly reduce our sales and profitability. General economic conditions could also affect the creditworthiness of our customers, in which we would face increased credit risk with respect to its trade receivables. In addition, volatility and disruption in financial markets could adversely affect our sales and results of operations by limiting our customers' ability to obtain financing necessary to maintain or expand their own operations.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains relatively volatile. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. Concerns about global economic conditions or geopolitical events, such as the conflict between Russia and Ukraine and sanctions imposed by governments in response, may continue to cause elevated levels of market volatility. China's economic growth may also slow down due to weakened exports and nationwide structural reforms. While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can also lead to

growth in money supply and rising inflation. In Australia, China, New Zealand, the United States and other principal business regions of the Company, increasing inflationary pressure continues to be expected. This may negatively affect our profitability and growth. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs, our business could be adversely affected.

Our profitability may suffer as a result of competition in the markets in which we operate.

The markets in which we operate are intensely competitive. A number of our primary competitors have substantial financial, marketing and other resources. We compete against large global companies, which have internationally well-known brands that have been available to consumers longer than our brands. In addition, we compete with local brand products that are generally sold at lower prices than those of our products. We also face competition from online retailers, which may further intensify given the anticipated low birth rate in the PRC. Competition is based on many factors, including the following:

- brand recognition and loyalty;
- product quality and technology;
- effectiveness of marketing, promotional activity and the ability to identify and satisfy consumer preferences;
- product innovation and development;
- price; and
- distribution and availability of products.

Our ability to adequately respond to the changes in the markets in which we operate and to maintain our competitiveness and market share will be fundamental to our future success in our existing and new markets. In some markets and for some of our products, including the e-commerce market, our competitors may have greater financial and marketing resources, larger consumer bases and/or a greater breadth of product offerings than we have. If we are unable to remain competitive, our market share for certain products and services may be adversely affected and our margins could decline due to pricing pressure.

In order to protect our existing market share or capture an increased market share, we may need to improve our brand recognition and product value propositions, as well as to increase our spending on marketing, advertising and product development and innovation. The success of marketing, advertising, product development and innovation is subject to risks, including uncertainties about trade and consumer acceptance. We may also need to adjust prices for some of our products to respond to competition and consumer pressures and to maintain our market share, including relying on discounts and promotions to expand our distribution network and increase consumer loyalty. Competition, our ability to expand our distribution network and consumer pressures may also restrict our ability to increase prices to respond to commodity cost increases. Our business will be negatively impacted if profit margins decrease, either as a result of a reduction in prices, increasing use of discounts, or increasing costs coupled with an inability to increase prices proportionally. For further information, see "*Industry overview*" and "*Business — Competition*".

We are subject to numerous government regulations in China, and it can be costly to comply with current and future regulatory requirements.

We are subject to various laws and regulations in China concerning environmental protection and in relation to the manufacturing, packaging, storage, distribution, sales, import, labeling, filing and

registration of our products, including, without limitation, the Food Safety Law of the PRC《中華人民共和國食品安全法》, which was promulgated on 28 February 2009, and amended on 24 April 2015, 29 December 2018 and 29 April 2021, respectively, the Regulations for the Implementation of the Food Safety Law of the PRC《中華人民共和國食品安全法實施條例》, which was promulgated on 20 July 2009 and amended on 6 February 2016 and 11 October 2019, the Measures on the Administration of Health Food《保健食品管理辦法》, promulgated by the former Ministry of Health (now reorganized as the National Health Commission (國家衛生健康委員會) (the "**NHC**") on 15 March 1996, which became effective on 1 June 1996, the Administrative Measures for the Registration and Filing of Health Food)《保健食品註冊與備案管理辦法》promulgated by the former CFDA on 26 February 2016, which became effective on 1 July 2016 and was amended by State Administration for Market Regulation (國家市場監督管理總局) (the "**SAMR**") on 23 October 2020, the Regulation on the Supervision and Administration of the Quality and Safety of Dairy Products《乳品質量安全監督管理條例》promulgated by the State Council of the People's Republic of China (國務院) (the "**State Council**") on 9 October 2008 and became effective on the same day, the Administrative Regulations for the Registration of Product Formulas of Infant Formula Milk Powder《嬰幼兒配方乳粉產品配方註冊管理辦法》(the "**Registration Administrative Regulations**") promulgated by the former CFDA on 6 June 2016, effective from 1 October 2016, and amended by the SAMR on 26 June 2023 and became effective on 1 October 2023, the Infant Formula Food Ingredient Registration Guidelines《嬰幼兒配方食品原料等事項備案工作指南》(the "**Registration Guidelines**") promulgated by the SAMR on 29 September 2024 and became effective on the same day, and other relevant rules and regulations issued by the PRC governmental authorities.

The regulations of the industry in which we operate is undergoing changes. Changes in existing laws or new interpretations of such laws may have a significant impact on our methods and costs of doing business, and there is no assurance that these existing laws and regulations applicable to us will remain the same in the future, or that they will not develop or change in a manner that may be adverse to us. If the relevant Chinese government authorities implement new laws and regulations which require us to set our retail prices at undesirable prices or significantly limit our ability to advertise our products, our business could be materially and adversely affected. For example, the Registration Administrative Regulations set forth requirements with respect to the registration with SAMR of the formulas of infant milk formula products sold on the Chinese market and restrictions on the number of products and formula series that may be registered by a formula manufacturer (no more than nine product formulas in three series for each enterprise). Additionally, the E-Commerce Law of the PRC《中華人民共和國電子商務法》, the "**E-Commerce Law**") that came into force on 1 January 2019 has a significant impact on daigou-related distribution channels for imported goods, including our products. The E-Commerce Law requires all online merchants, including daigou, to register with SAMR and file taxes with the PRC Tax Bureau. As a result of the new E-Commerce Law, many daigou traders reduced trading, which has had a dampening effect on our sales through daigou distribution channels.

On 23 May 2019, the NDRC also promulgated the Domestic Infant Formula Milk Powder Upgrading Action Plan《國產嬰幼兒配方乳粉提升行動方案》("**NDRC Action Plan**"), which stipulates the implementation of (1) "quality upgrading actions" to continuously strengthen product quality assurance, (2) "industry upgrading actions" to continuously enhance products' market competitiveness and (3) "brand cultivation actions" to substantially promote the reputation of domestic milk powder products. Under the NDRC Action Plan, (1) the registration administration of foreign infant milk power producers shall be reinforced, (2) the filing system and sales recording system shall be strictly implemented to importing agents, (3) the subpackaging of imported large package of infant formula milk powder and the importing of unregistered infant formula milk powder products shall be strictly forbidden, and (4) cross-border e-commerce enterprises shall be responsible for food quality and safety.

On 22 February 2021, the NHC and SAMR also jointly promulgated 50 new national standards for food safety, which include the National Standards for Food Safety Infant Formula Food《食品安全國家標準嬰兒配方食品》(GB10765-2021), the National Standards for Food Safety Older Infant Formula Food《食品安全國家標準較大嬰兒配方食品》(GB10767-2021) and the National Standards for Food Safety

Child Formula Food《食品安全國家標準幼兒配方食品》(GB10766-2021) (collectively ("**GB standards**"). On 23 March 2021, SAMR issued the Notice to the Matters Relating to the Registration of Infant Formula Milk Powder《關於嬰幼兒配方乳粉產品配方註冊有關事宜的公告》, which specifies that manufacturers are encouraged to register Infant Milk Formula ("**IMF**") products recipe according to the GB standards in a 2-year transition period from 22 February 2021 to 22 February 2023. Since 22 March 2023, all manufacturers are required to organize production according to the product formula registered pursuant to the GB standards. There is also no assurance that the relevant Chinese government authorities will not implement future restrictive measures in the Chinese infant formula market, such as price caps and centralized procurement. If so, our business, results of operations and financial condition could be materially and adversely affected.

On 14 December 2022, the SAMR promulgated the Rules for the Review of Production Permit of Infant Formula Milk Powder (2022 version)《嬰幼兒配方乳粉生產許可審查細則(2022版)》(the "**2022 Review Rules**"), which repealed the Rules for the Review of Production Permit of Infant Formula Milk Powder (2013 version)《嬰幼兒配方乳粉生產許可審查細則(2013版)》. The 2022 Review Rules strictly regulates the conditions for production license of IMF products in respect of production site, equipment and facilities, equipment layout and process flow, personnel management, management system, in order to further strengthen the IMF production license management, and to effectively protect the health and life of infants and young children.

On 26 June 2023, the SAMR promulgated the Administrative Regulations for the Registration of Product Formulas of Infant Formula Milk Powder (2023)《嬰幼兒配方乳粉產品配方註冊管理辦法(2023)》, which repealed the Administrative Regulations for the Registration of Product Formulas of Infant Formula Milk Powder《嬰幼兒配方乳粉產品配方註冊管理辦法》promulgated by the former CFDA on 6 June 2016. The Registration Administrative Regulations (1) specify the situation and demand of the on-site inspections in the registration of product formulas of infant formula milk powder, (2) prohibit the applicant using compound ingredients that have met the nutritional requirements of the national food safety standards for infant food formula as raw materials to apply for formula registration and (3) stipulate if there is an "animal source" label in the name of the product, the source of milk protein such as raw milk, milk powder, and whey powder shall all come from that species.

We have currently obtained all material registrations, licenses and permits which are required for us to operate our business in China. In respect of the **IMF** registration system introduced by the Registration Administrative Regulations, before approvals are obtained for the remaining IMF series (i.e. Cute Betty's series (0-6 months, stage 1)), our PRC subsidiaries would not be allowed to continue importing products under this IMF series. In respect of the dual-track system of registration and filing for health food introduced by the Administrative Measures for the Registration and Filing of Health Food《保健食品註冊與備案管理辦法》(the "**Registration and Filing Measures**") effective from 1 July 2016, which was amended on 23 October 2020, after regulations affiliated with the Registration and Filing Measures were issued, the Group has obtained 17 product licenses for its health food products. Among them, six products were registered through the registration system and eleven products were filed through the filing system. If the regulations regarding these licenses and permits are changed, or if we fail to renew our current licenses, obtain approvals for our current operations or complete the required registrations or filings, it may be materially burdensome for us to obtain or renew these licenses and permits or they may be otherwise unavailable, and our business could be materially affected.

Furthermore, these regulatory changes led to de-stocking from distributors and increased pricing competition in the mid-to-low end segment, which affected our previous results of operations. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Key factors affecting our results of operations — Regulation"*. As our full transition to the GB standards remains ongoing, there is no assurance that our business, results of operations and financial condition would not be materially and adversely affected in the future.

We may fail to realize business growth opportunities, revenue benefits, cost synergies, operational efficiencies and other benefits anticipated from our past and future acquisitions or may incur unanticipated costs in our future acquisitions.

We occasionally seek to grow our business through acquisitions of, or investments in, new or complementary business, products or services. The success of any of our past or future acquisitions, depends on our ability to integrate the acquired businesses effectively. In addition, we continue to explore opportunities to grow our business, including by means of minority investments via the NewH^2 Fund or acquisitions of businesses complementary to our business, in line with our Group's overall business development strategy. As a result, we may make further investments or acquisitions in the future. Such investments or acquisitions may be in different segments to our current business and may take place in a region in which we currently do not operate. For example, our acquisitions of Solid Gold in 2020 and Zesty Paws in October 2021 represent growth into a new business segment, pet nutrition and care.

We may incur a substantial amount of additional debt to fund such investments or acquisitions in compliance with the terms of the Notes and the Senior Facilities, while such investments or acquisitions may not necessarily generate substantial revenue or benefit our cash flow from operations, including to service or repay such additional debt. The integration of acquired businesses and realization of synergies may be complex and costly and present a number of risks and challenges, including:

- the challenge of entering a new business segment that has different consumer and channel dynamics;
- the challenge of developing an understanding of, and new technical skills requires to serve, the acquired business;
- the diversion of management time, effort and attention from existing business operations;
- the unanticipated loss of revenue or increase in operating or other costs contrary to our projections when making the acquisition;
- the inability to realize synergies between our businesses, including across our supply chain or through cross-marketing;
- the need to integrate ERP systems and internal reporting across the Group;
- the possible loss of key employees;
- the possible loss of consumers, distributors or suppliers;
- the assumption of debt or other liabilities of the acquired business, including litigation related to the acquired business; and
- the possible expansion into new geographical markets and segments may require us to find and cooperate with distributors and suppliers with whom we have not previously done business.

There can be no assurances that we will be able to achieve the business growth opportunities, revenue benefits, cost synergies, operational efficiencies, reduction in net leverage and other benefits anticipated from any past and future acquisitions. If we are not able to manage our acquisitions effectively, we may not realize the expected benefits from the transaction relative to the consideration paid. To be successful, some acquisitions require an integration process which achieve the benefits of combining the companies, including generating operating efficiencies and synergies, and eliminating or reducing redundant costs. Integrating any acquired business involves significant and inherent uncertainties, and may result in

additional unforeseen difficulties or liabilities and could impact the effectiveness of our internal controls over financial reporting. Any of the foregoing or other factors could have a material adverse effect on our business, financial condition and operating results.

We are dependent on relationships with third-party suppliers.

Our business depends on our ability to source high quality premium raw materials and manufactured products principally from Western Europe, including France, Italy and Denmark, as well as Australia, Asia and North America on commercially reasonable terms. Our relationship with a supplier is generally governed by an agreed set of terms and conditions. Our suppliers may cease producing products that we source from them, selling products to us on terms acceptable to us, fail to deliver sufficient quantities of products in a timely manner, encounter financial difficulties, terminate their relationship with us and enter into agreements with our competitors or experience raw material or labor shortages or increases in raw material or labor costs.

Our suppliers may also choose to take actions to reduce their credit exposure to us, including by seeking to change their credit terms or refusing to contract with us. Agreements with our suppliers generally provide a framework for pricing, through which raw material price changes are adjusted semi-annually in accordance with market prices. As a result, we may be subject to price increases based on changes in our suppliers' businesses, cost structures, market conditions or other factors.

Our supply of products and raw materials can also be materially adversely impacted by a number of other factors including, among other things:

- increase in shipping or other transportation costs;
- reduction in the quality of goods, products or materials supplied to or from suppliers;
- manufacturing and transportation delays and interruptions, whether as a result of natural disasters, industrial action in the supply chain or other factors;
- potential economic instability in countries where our suppliers are located;
- compliance with applicable laws of the supplier, including labor and environmental laws;
- adverse fluctuations in currency exchange rates; and
- changes in relevant laws affecting the importation, taxation and filing and registration of goods, including duties, tariffs, quotas or number of products, or changes in the enforcement of those laws.

Any disruption to our availability or supply of products, or any deterioration in the terms on which products are supplied to us, could restrict our ability to conduct our business and thereby materially adversely affect our business, financial condition and results of operations.

Production and supply by our suppliers may be interrupted.

Production and supply by our suppliers may be influenced by a number of factors that are beyond our control, including:

- changes in the environmental, climatic, economic, political or social conditions or any health epidemics, pandemics, or similar outbreaks in the country where the supplier is located. Our suppliers are located in various countries, principally including France, Italy and Denmark, as well as Australia, Asia and North America and any adverse changes in the environmental, climatic, economic, political or social conditions or adverse impacts from any health epidemics, pandemics,

or similar outbreaks in any of these countries may have an adverse effect on our ability to obtain sufficient supplies of raw materials and products within required time periods and/or at reasonable prices, which may consequently have a material adverse effect on our business, financial condition and results of operations; and

- disruptions of supply or substantial increases in price. There may be unexpected disruptions of supply or increases in the prices of raw materials, among which milk being the most significant as it constitutes one of our largest costs of raw materials, for a number of reasons, such as regulatory requirements, transportation and import restrictions, failure to meet suitable quality standards and manufacturing disruptions.

In the event any of our third-party suppliers or vendors were to become unable or unwilling to continue to provide raw materials in the required volumes and quality levels or in a timely manner or at acceptable price, we would be required to identify and obtain acceptable replacement supply sources. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, obtain alternative supply sources, or to effectively manage such events if they occur, particularly when a product is sourced from a single location, could materially adversely affect our business, financial condition and results of operations. For further information, see "*Business — Suppliers and manufacturing*".

Political instability may disrupt our supply chain, adversely affecting the availability of our products and raw materials.

A significant portion of the products we sell are imported. We source our products and ingredients primarily from Western Europe, including France, Italy and Denmark, as well as Australia, Asia and North America. Political instability, geopolitical conditions or other events resulting in the disruption of trade from these countries or countries through which our products and ingredients are shipped, to countries where we sell our products, or the imposition of additional regulations relating to, or duties upon, imports could cause significant delays or interruptions in the supply of our products and ingredients or increased costs, and any of which could have a material adverse effect on our business and results of operations.

If we sought to source our products or ingredients from other countries, those products or ingredients may be more expensive or of an inferior quality than those we are replacing, or we may not be able to replace those products or ingredients at all. Any such disruption and the costs associated with finding alternate suppliers would ultimately have an adverse effect on our results of operations and financial condition.

We face various risks related to health epidemics, pandemics, and similar outbreaks, which may materially and adversely affect our business, financial position, results of operations, and cash flows.

Our business and financial results have been, and could be in the future, adversely affected by health epidemics, pandemics, and similar outbreaks. An occurrence or recurrence of any of such events could result in disruptions to our operations, which could have an adverse effect on our business, financial condition, results of operations and prospects.

An epidemic or outbreaks of communicable diseases such as COVID-19, Middle East Respiratory Syndrome, Ebola, Severe Acute Respiratory Syndrome or other contagious diseases may have an adverse effect on our business, financial position, results of operations and growth prospects. For example, the global outbreaks of COVID-19 resulted in closures, quarantines, travel restrictions and extended shutdowns of certain businesses in regions in which we operate and interfered with general commercial activity related to our customer base. Our customers, suppliers, agents and other business partners in the future may continue to be affected by global or local health epidemics or pandemics, including as a result of measures taken by relevant governments to slow the spread of the virus, which may have a material adverse impact on our business operations, results of operations and financial condition.

Our business could be adversely impacted if we fail to maintain cost efficiencies in the supply chain and adequate inventory levels.

We maintain sufficient inventory levels and any failure to control the amount of our inventory could reduce our profitability and increase losses. For example, constraints on our inventory management

systems and/or processes may mean that we end up with excess inventory. In response, we may be forced to increase our marketing promotions, price discounts or stock provision. Conversely, any failure to order enough products or problems in the delivery and distribution of products could result in lost revenue. Failure to maintain adequate inventory levels could therefore have an adverse effect on our financial condition and results of operations.

Any major outbreak of illness or disease relating to cattle could lead to significant shortfalls in the supply of infant milk formulas products and could cause consumers to avoid or reduce consumption of our infant formula products, resulting in substantial declines in our revenue and possible serious losses.

A major outbreak of any illness or disease in cattle in any country from which we source milk products for our infant formula products could lead to a loss of consumer confidence in, and demand for, our infant formula products. A major outbreak of mad cow disease, bovine tuberculosis or other serious diseases in France, Denmark or the other countries from which we source milk products for our infant formula products could result in the widespread disposal of the affected livestock and consequently lead to significant shortfalls in the supply of milk products or affect the continuity and quality of the supply of infant formula products. Further outbreaks of, or concerns about, these or other diseases could create unfavorable publicity, which may discourage consumers from purchasing dairy products, including our infant formula products, or any other infant formula products associated with imported milk from affected countries. If consumers were to avoid or reduce consumption of our infant formula products, or if we were unable to promote sufficient supply of milk products as a result of an outbreak of illness or disease in cattle, our revenue may decline substantially and we could suffer material losses.

Increases in raw material prices and commodity costs that we may be unable to pass on to our consumers would reduce our profit margins and profitability.

We attempt to negotiate competitive rates for the raw materials and finished product from our suppliers. Any shortage in raw materials or fluctuations in world commodity prices, most significantly of milk, which constitutes one of our key raw materials, may negatively affect the purchase price we have negotiated with our suppliers. Risks such as fluctuations in exchange rates, social and political unrest, and economic volatility in the countries or regions from or through which we import our products may negatively and materially affect our operating costs.

Commodity prices impact our business directly through the costs of raw materials used for our products (such as milk powder, probiotic powder, vegetable oils, lactose, vitamins, minerals and whey protein concentrate), the cost of inputs used to manufacture and ship products (such as crude oil and energy) and the amount paid to produce or purchase packaging for our products (such as vials, cans, pouches, cardboard and aluminum foils). There is no assurance that the costs for raw materials and other commodities will remain stable. Such commodities are susceptible to price volatility caused by conditions beyond our control, including fluctuations in commodities markets, currency fluctuations and changes in governmental agricultural programs, introductions of new tariffs or increase in tariffs. Any increase in the prices for raw materials and commodities may result in our products becoming less competitive, in particular relative to competitors that may have greater access to cheaper sources of supplies or may effectively utilize hedging instruments to offset sudden price increases in commodities. In particular, our ability to pass on part or all of the cost increases to our consumers depends largely on market conditions, including the pricing strategies of our competitors. To sustain price competitiveness and to maintain our market share, we may decide not to increase the price of the products, despite an increase in costs, and as a result we may experience lower profitability.

The manufacturing of many of our products is a highly exacting and complex process, and if our suppliers or we should encounter problems relating to the manufacturing process or losses of manufacturing certifications, our business may be adversely impacted.

The manufacturing of many of our products, principally by our suppliers, is a highly exacting and complex process, in part due to strict regulatory requirements. Problems may arise during the manufacturing process for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, various contagious diseases and process safety issues. If problems arise during the production of a batch of products, the entire batch of products may have to be discarded. This could, among other things, lead to increased costs, supply constraints, lost revenue, damage to our brands and reputation, diversion of time and financial resources to investigate the cause and, depending on the cause, similar losses with respect to other batches of products. If problems are not discovered before the affected products are released to the market, recall and product liability costs, as well as reputational damage, may also be incurred. If any of our suppliers or we experience significant manufacturing problems, they could have a material adverse effect on our business and results of operations.

Our business reputation and consumers' perception of our brand may be impacted by real or perceived quality issues, including product recalls, product liabilities or other claims.

One of the key competitive selling points of our products is their high quality and consumer confidence in their safety. Thus, our business is highly sensitive to consumer perception of the safety, quality, health and nutritional benefits of our products. Any contamination, spoilage or other adulteration, product misbranding or product tampering, whether real or perceived, could cause a product recall. As we offer products designed for human and animal consumption, we are subject to product liability claims if consumption of our products is alleged to have resulted in any adverse reaction, illness or injury. We may also experience additional losses from any product recalls and suffer a decline in our business due to a loss of trust from consumers.

There is a risk that our products and processes may be contaminated due to factors that may not always be within our control. For example, infant formulas and probiotic supplements, as food products, are not sterilized and a substantial portion of these products need to be carefully prepared and maintained according to instructions on the product label to avoid contamination or deterioration or change in flavor or nutritional value. Depending on the specific type of product, a risk of contamination or deterioration exists at each stage of the production process, including the purchase and delivery of raw food materials from third-party suppliers, the processing and packaging of food products and the using and handling of our products by consumers. We may be exposed to adverse public media or customer perception if any of our products causes, or is alleged to have caused, injury or illness or if we have violated, or are alleged to have violated, any safety regulations. In the event of claims or allegations that any of our products is harmful, our business may be adversely affected.

In addition, third-party suppliers manufacture some of our products. We rely on these manufacturers to ensure the integrity of their ingredients. As a result, we may also be responsible for product liability claims for products that we do not manufacture. Although our agreements with our third-party suppliers typically require the supplier to indemnify us to the extent of any such claims, any such indemnification is limited by its terms. Moreover, as a practical matter, any such indemnification is dependent on the creditworthiness of the indemnifying party and its insurer, and the absence of significant defenses by the insurers. We may be unable to obtain a full recovery from the insurer or any indemnifying third party in respect of any claims against us in connection with products manufactured by such third party. In addition, even if an incident is caused by one of our manufacturers and we are able to recover direct damages, our business may still suffer due to the damage to our reputation.

We have been, and may be, subject to various product liability claims, including, among others, that our products include inadequate instructions or inadequate warnings concerning possible side effects and interactions with other substances. Even with adequate insurance and indemnification provisions, product liability claims could significantly damage our reputation and consumer confidence in our products. We could also incur significant litigation expenses, which also could have a material adverse effect on our results of operations even if a product liability claim is unsuccessful or is not fully pursued.

Failure to effectively maintain or promote our brands, or to grow our marketing capabilities, may adversely affect our future success.

We believe we have become well recognized in the market for our 'Premium, Proven, Aspirational and Engaging' model.

We believe our Biostime™, Dodie™ and Good Goût™ are perceived as representing high quality and reliable pediatric products. These BNC brands distinguish us as a pediatric nutritional products supplier with high quality products which are sourced from Western European manufacturers, as opposed to other Chinese brands which primarily source their products domestically. Similarly, we believe consumers perceive our ANC brands, Swisse™ and Aurelia™, and our PNC brands, Zesty Paws™ and Solid Gold™, as high quality and premium products.

The willingness of consumers to purchase our products depends on our ability to continue offering innovative and value-added products to consumers. If our consumers' perception of our products deteriorates, they may refrain from purchasing our products.

In addition, the success and lifespan of our products depend, to a significant extent, on the effectiveness of our marketing strategies. We market our products through both online and offline media and partner with Australian ambassadors such as actress Francesca Hung and champion boxer Harry Garside, as well as Chinese brand ambassadors such as Dilraba, Qin Lan and Zheng Qinwen. We also undertake engaging promotional partnerships with major e-commerce platforms for special events, such as Singles Day and the 618-shopping festival. For Good Goût™, we also run digital campaigns for social media platforms such as Facebook and Instagram, with a view to attracting customers from online sites.

There is no assurance that our marketing budget is adequate for achieving the expected marketing results. Factors which limit our capability to promote our products, whether due to increased costs of marketing or by regulatory restrictions, could have an adverse effect on our market share, brand name and reputation of our products, which may result in reduced demand for our products and negatively affect our business and results of operations.

Furthermore, we could be subject to claims relating to false or misleading advertising. The relevant advertising laws and regulations require advertising content to be fair and accurate, not misleading and in full compliance with applicable laws. Violation of any of these laws or regulations may result in penalties, including fines, orders to cease dissemination of advertisements, orders to publish advertisements to rectify any misleading information and even criminal liabilities. If we are found to have committed any violation of applicable advertising laws and regulations, some of the advertising activities may be discontinued, which may adversely affect our revenues, reputation and the image of our products. Moreover, government actions and civil claims may be filed against us for misleading or inaccurate advertising. We may have to spend significant resources to defend ourselves, and such claims may damage our reputation and brand image, result in reduced turnover, and negatively affect our business and results of operations. Notably, a preliminary injunction was obtained by Nutramax Laboratories, Inc. against Zesty Paws' use of the No.1 brand claim, which was certified by Euromonitor, in the Southern District of New York in June 2024, highlighting the potential legal challenges we may face.

We may be indirectly impacted by adverse or derogative media stemming from our engagements with high profile global ambassadors, such as news mentions or any other type of exposure of the Group or our Portfolio Brands.

We may not be able to sustain our historical sales and profit margins and further manage our growth effectively.

Segments such as infant formula, VHMS and pet nutrition may experience slower growth or decrease in the future due to increased competition from alternative products, changes in purchasing behavior and market saturation. We may need to invest in more resources on product innovation, marketing or offer greater discounts due to increased competition. Moreover, given some of our products have already established sizeable market share, e.g. Swisse™ branded products in the Australian VHMS market and online VHMS market in China, and Biostime branded products in China and France, gaining additional market share in these markets may become increasingly difficult and our growth rate in these markets may slow down. While we have experienced strong growth in the past, there is no guarantee that we will be able to achieve sustained profitable growth in the future.

We may face difficulties as we introduce new products to the market.

In connection with new product launches, we may incur additional promotional costs or provide discounts for promotional purposes to incentivize distributors and to accelerate sales which could decrease short-term profitability.

Moreover, we may face competition in new markets from existing or new competitors, including those with more relevant local experience, and may need to incur additional costs. Expanding our product offering may also put pressure on our existing marketing, technical, financial, production, operational and other resources. To manage future product growth, we may need to increase distribution capacity, enhance financing controls and hire additional skilled personnel as well as manage relationships with a greater number of consumers, regional distributors, suppliers and other third parties.

If demand for product is not as expected and we have excess inventory, we may need to sell our products at a discounted price, which could adversely affect our revenue.

There can be no assurance that we will be able to successfully introduce new product offerings, that we will be able to introduce such new products within the planned time frames, that demand for these new products will grow to the extent that we expect or that these new products will provide the returns that we expect. Furthermore, we may encounter regulatory and other difficulties that increase our expenses in connection with new product offerings or delay our ability to expand our sales distribution network. For further information, see "*Business — Distribution network and sales*" and "*Regulation*".

We may face challenges expanding our operations.

We sell our products primarily in China, Australia, France and United States, but are expanding our business into other parts of the world as both developed and developing economics discover the benefits of health, nutrition and immunity products. Since 2020, we have launched our Swisse™ branded products in India on Amazon and other major e-commerce channels, in Thailand, Malaysia, the Middle East, Indonesia, Vietnam and Taiwan. In 2024, we launched our Zesty Paws™ branded products in the United Kingdom and Europe. As we seek to expand our sales globally, including in China, we will face risks, including risks that we are unable to attract sufficient consumers or that we are unable to operate effectively.

We may be required to conduct business and build our distribution network in jurisdictions in which we have not previously done business with and may subject us to the pressure of complying with the laws and regulations of various jurisdictions that we may not be familiar with.

In addition, the expansion of our business and product offering will also expose us to risks relating to managing more complex operations, lack of acceptance of our product offerings, increased and conflicting regulatory compliance requirements, challenges caused by distance, language and cultural differences, exchange rate risk, tariffs and other trade barriers and political instability. Accordingly, any efforts we make to expand our operations may not be successful, which could limit our ability to grow our revenue and profitability.

Our business is impacted by seasonality and disruptions during peak seasons which may impact our operations.

The sale of our products across our various ANC, BNC and PNC segments is subject to seasonality. We generally experience higher sales in the fourth quarter due to increased purchases from distributors in advance of Chinese New Year as well as to meet their annual sales targets given that many distributors are closed for the Chinese New Year period, sales leading up to key holidays in Australia and the United States, and as a result of online shopping events in China such as the "Singles Day" shopping event in November. We experience reduced sales in the first quarter due to lower trading volume over the Chinese New Year and Australian summer holiday period. If we were to experience a disruption during a peak sales period, due to a problem in our supply chain, manufacturing or distribution facilities or our distribution network, it would have a disproportionate impact on our results due to the missed sales. We may experience disruptions or a strain on our management during peak periods which may adversely impact our business and our ability to realize our strategy.

Our failure to appropriately respond to changing consumer preferences and demand for new products could significantly impact our consumer relationships and product sales.

Our business is subject to changing consumer trends and preferences, which we manage by improving our products by incorporating the latest scientific and technological advances. Our continued success partly depends on our ability to anticipate changes in market trends and to develop innovative and scientifically validated products to meet these changes in consumer trends and preferences. At times we may not be able to respond in a timely or commercially appropriate manner to these changes in consumer trends and preferences. If we are unable to do so, our consumer relationships and product sales could be significantly harmed.

Furthermore, the nutritional supplements industry is characterized by rapid and frequent changes in demand and introduction of new products. Our failure to accurately predict these trends in consumer preference could negatively impact consumer perception of our product offerings. This could harm our consumer relationships and cause a loss of market share. The success of our new product offerings depends upon a number of factors, including our ability to accurately anticipate consumer needs, develop new products, successfully launch new products in a timely manner, price our products competitively, source supplies for necessary ingredients (some of which may have a limited number of suppliers), deliver our products in sufficient volumes and in a timely manner, and differentiate our product offerings from those of our competitors. The PRC government could also conclude that the prices of our infant formula products or our other products are too high and could institute price controls that would limit our ability to set prices for our own products. Such price controls could adversely affect our results of operations.

If we do not introduce new products or make product enhancements to meet the changing needs of our consumers in a timely manner, some of our products could become obsolete, which could have a material adverse effect on our revenue and results of operations. Furthermore, other companies may gain significant competitive advantages by introducing new products to the market, delivering constant development in products and techniques and offering competitive prices. Our future growth partially depends on our ability to develop products that are more effective in meeting consumer demand.

An adverse change in demographic, consumer and economic trends as well as a change in scientific opinion regarding our products could materially and adversely affect our business and reduce our profitability.

Part of our strategy relies on favorable demographic, consumer and economic trends, including rising household incomes, an increasing number of working mothers in China, an increasing number of Chinese women willing to accept our products for their infants, growing adoption of a health and wellness conscious lifestyle, rising consciousness around proactive health management and disease prevention, increasing pet population, pet nutrition premiumization and the trend of humanizing pets. Our sales also depend on consumer spending, which is influenced by factors beyond our control, including general economic conditions, consumer confidence and the availability of discretionary income. If these demographic trends change in an adverse way, our business could be materially and adversely impacted. However, there is no guarantee that consumer demand for our products will sustain or will not reverse at any time. The success of our business depends in part on our ability to identify and respond to evolving trends in demographics and consumer preferences.

Failure to identify in a timely manner, or respond effectively, to changing consumer tastes, preferences, spending patterns and nutrition and care needs could adversely affect our relationship with our customers, the demand for our products and services, our market share and our profitability. In addition, it is possible that new research may result in different findings or an adverse change in scientific opinion regarding the beneficial effects or risks of our products, which could materially and adversely affect our business and results of operations.

Our operations in China are dependent on our regional distributors, and any failure to maintain good relationships with our regional distributors or failure of our distributors to comply with applicable law or our distributor policies and procedures could have a negative and material impact on our business and results of operations.

In China, we sell a significant portion of our products through regional distributors. As of 30 June 2024, we sold our baby nutrition and care products to consumers through 742 regional distributors, which further distributed our products to more than 43,000 baby specialty stores, 3,200 modern trade stores and 11,000 pharmacies across almost every province, municipality and autonomous region in China. In China, our regional distributors are independent contractors and, accordingly, we are not in a position to directly provide the same direction, motivation and oversight as we would if distributors were our own employees. As a result, there can be no assurance that our regional distributors will participate in our plans, accept our introduction of new products, or comply with our distributor policies and procedures.

Non-compliance by our regional distributors with distribution agreements entered into between us and such regional distributors could harm the reputation of our brands among end-consumers and disrupt our sales. While we have implemented regional distributor policies and procedures designed to govern regional distributor conduct and to protect the goodwill associated with our brands and products, it can be difficult to enforce these policies and procedures because of the large number of regional distributors and their independent status. In addition, we could be liable for actions taken by regional distributors, including any violation of applicable laws. If any regional distributors violate Chinese laws or otherwise engage in unlawful practices with respect to their sales of our products, we could be required to pay damages or fines, which could negatively affect our financial condition and results of operations. In addition, violations by our regional distributors of applicable laws or of our policies and procedures in dealing with consumers could reflect negatively on our products and operations and harm our reputation. For more information, see "*Business — Distribution network and sales*".

Our operations are dependent on distribution centers in Australia, China and Hong Kong and any disruption of our distribution arrangements or failure to increase capacity could have a material adverse impact on our business and results of operations.

Most of our products are stored in distribution centers operated by third party logistic providers, in Hong Kong, China and Melbourne, prior to distribution to customers. Our business is, therefore, dependent on

the continued efficient operation of these distribution centers and their ability to continue to deliver our products to store or satisfy consumer orders placed online, including any significant or rapid increase in consumer orders. Accordingly, any disruption to our distribution center's operation as a result of fire, accident, weather, disruptions to shipping and transnational transportation channels or other circumstances could have a material adverse effect on our reputation, business, financial position and results of operations.

We also utilize third party distributors in some regions, such as New Zealand, United States and Europe. Any failure to find third party distributors or successfully find capacity for the storage and distribution of our products may reduce our ability to grow our business.

The success and expansion of our online sales through e-commerce platforms depends on our ability to provide quality service to our consumers and if we are not able to provide such services, our results of operations may be adversely impacted.

As part of our growth strategy, we seek to further integrate our in-store and online operations and have made significant investments to integrate and grow our e-commerce platform and business. We may require additional capital in the future to sustain or grow our e-commerce business. In recent years, we have expanded our e-commerce presence, both through third-party platforms and our proprietary Mama100 application and e-commerce platform through which our consumers can purchase our products on their mobile devices and pick up the ordered products from a local retail store. Increasing sales through e-commerce platforms in China is one of our principal strategies, in particular with respect to our Swisse™, Zesty Paws™ and Solid Gold™ branded products. Our online sales through e-commerce platforms are subject to various risks including the following:

- failure of our e-commerce partners to perform their services properly and in a timely and efficient manner;
- changes in consumer willingness to purchase goods over the internet;
- increased risk of counterfeit products offered online next to our own;
- increases in software filters that may inhibit our ability to market our products through e-mail messages to our consumers and increases in consumer privacy concerns relating to the internet;
- breaches of internet security, including a third party breaching our networks and accessing personal information about our consumers, which may lead to costs to mitigate damages and a loss of consumer trust;
- failures in our internet infrastructure or the failure of systems or third parties, such as telephone or electric power services, resulting in website downtime or other problems;
- failure to process online consumer orders properly and on time, which may negatively impact future online and in-store purchases by such consumers;
- failure by our service providers to provide logistic operations and delivery services, which may negatively impact future online and in-store purchases by consumers;
- failure to keep up with changes in technology; and
- failure to deliver orders according to market standards in terms of speed and efficiency.

In some circumstances, increased transactions through the e-commerce platform may result in reduced customer traffic or demand for our in-store operations, e.g. as customers take advantage of home delivery services available for online orders when making certain types of purchases, such as bulk orders. There is a risk that any such reduced customer traffic may also reduce the sales of certain products in-store.

Additionally, as other internet retailers have increased market share in recent years, we also face increased competition and may continue to face increased competition in the future from other internet retailers who enter the market. While we continue to focus on expanding the penetration of our diversified ANC, BNC and PNC products in the Chinese offline market, we will still aim to capture more of the fast-growing normal trade e-commerce market channel in China by introducing more blue hat SKUs, increasing its contribution to our ANC segment, and continue to implement our digital marketing strategy, live webcasts and online campaigns. If we are not able to provide satisfactory service to our online purchasers, our results of operations may be adversely affected.

The success and expansion of our offline sales depends on our ability to provide quality service to our consumers and if we are not able to provide such services, our results of operations may be adversely impacted.

We continue to focus on expanding the penetration of our diversified products in the offline markets. In the year ended 31 December 2022, our offline Swisse™ network in China grew by more than 13,000 sales points year-on-year as we entered more pharmacies and other offline channels in the Chinese market. In Australia we are focused on developing our ANZ domestic business to capture local consumer demand for wellness products through the pharmacy and grocery channel. As at 31 December 2023, Swisse products were available in over 6,500 stores across Australia. If we are not able to sustain our offline growth or continue to provide quality services and products in our offline markets, our results of operations may be adversely affected. The decreased foot traffic and industry-wide challenges within the supplements category in the pharmacy channel in China have negatively impacted our Swisse blue hat products and Biostime infant probiotic products distributed through this channel.

Counterfeit products could negatively impact our revenue, our brand reputation, business and results of operations.

Counterfeit products, which are products without licenses or approvals and are fraudulently mislabeled with respect to their content and/or manufacturer may be sold in our markets. Counterfeiters may illegally manufacture and/or market products under our various brand names or those of our competitors. Counterfeit products may or may not have the same contents as their authentic counterparts. We seek to manage counterfeit product risk with unique packaging and other consumer protection measures that are hard to illegally replicate, including the inclusion of QR codes on labels. If counterfeit products sold illegally under our brands result in adverse side effects to end-users, we may be associated with negative publicity resulting from such incidents, which could have an adverse impact on our revenue, business and results of operations.

We may not be able to register and adequately protect our intellectual property rights. Unauthorized use of our intellectual property rights by third parties, and the expenses incurred in registering and protecting our intellectual property rights, may materially and adversely affect our business and competitive position.

We regard our patents, trademarks, domain names and other intellectual property rights as key to our competitiveness and success. We rely on the trademark, domain names, other intellectual property laws and confidentiality agreements with our employees to protect our proprietary rights. Nevertheless, these laws and agreements afford only limited protection and it can be difficult and expensive to police unauthorized use of intellectual property that we own or are entitled to use. In addition, we may not be always successful at registering or renewing our intellectual property rights according to the laws and

regulations of different jurisdictions, and even if successful, such processes can be costly. We have taken, and will continue to take, a variety of actions to combat infringement of our intellectual property. However, the level of protection for intellectual property rights and the enforcement of the relevant laws and regulations provided under PRC law and the laws of certain other jurisdictions where we operate are relatively inadequate compared to those available under the legal regimes in more developed economies. The registration and protection of our intellectual property rights may require the expenditure of significant financial, managerial and operational resources, and the steps we take may not adequately achieve the registrations we desire, protect our rights or prevent third parties from infringing or misappropriating our proprietary rights. Inability to register or renew key intellectual property right, infringement of our intellectual property rights by third parties and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business, financial condition and results of operations. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or intellectual property rights, which could also have an adverse effect on our competitive position.

We may be required to defend ourselves against intellectual property claims from third parties, which could harm our business.

Our products may be subject to third-party patent or trademark claims. Third parties may obtain or may have obtained patents or register trademarks and claim that our products infringe or have infringed their intellectual property rights. These claims could cause us to incur significant expenses in defending ourselves and if such claims are successfully asserted against us, we may be required to pay substantial damages or royalties and/or be prevented from selling our products. These risks may be amplified by the increase in third parties whose sole or primary business is to assert such claims. Any litigation regarding intellectual property, regardless of their merit or resolution, could be costly and time-consuming and could divert the attention of management and key personnel from our business operations. Furthermore, as a result of an intellectual property challenge, we may be required to enter into royalty licenses or other costly agreements, and we may not be able to obtain or enter into such license agreements or otherwise on acceptable terms or at all.

We may from time to time become party to litigation, other legal disputes and regulatory proceedings that may materially and adversely affect us.

In the course of our ordinary business operations, we may become a party to litigation, legal proceedings, regulatory actions, claims, disputes or arbitration proceedings from time to time. For example, as a top 1000 taxpayer in Australia, Biostime Healthy Australia Pty Ltd ("**Biostime Healthy Australia**") is subject to the Australian Tax Office's (ATO) compliance programs, which started in August 2019. Biostime Healthy Australia is currently undergoing an Australian tax examination and the relevant final tax assessment from the ATO is expected to be completed by 30 June 2025. Any ongoing litigation, legal proceedings, regulatory actions, claims, disputes or arbitration proceedings may distract our management's attention and consume our time and other resources. In addition, even if we ultimately succeed in such litigation, legal proceedings, regulatory actions, claims, disputes or arbitration proceedings, there may be negative publicity attached to such litigation, legal proceedings, regulatory actions, claims, disputes or arbitration proceedings, which may materially and adversely affect our reputation and brand names. In the case of an adverse verdict, we may be required to pay monetary damages, assume liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. See "*Business — Legal and regulatory proceedings*".

Our controlling shareholders have substantial influence over the Group and their interests may not be aligned with the interests of the Noteholders.

Our controlling shareholders, Mr. Luo Fei and Mr. Luo Yun, each a director of the Company, through their interests in Coliving Holdings Limited, have substantial influence over our business. The interests of our

controlling shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. For example, our controlling shareholders could vote for the Company to incur additional indebtedness, or to sell certain material assets, in each case as permitted under the Indenture governing the Notes. Incurring additional indebtedness would increase our debt service obligations and selling assets could reduce our ability to generate revenues, each of which could affect holders of the Notes adversely. For further information, see "*Principal Shareholders*".

Our continuing success depends on our ability to retain our senior management and key personnel.

Our success depends on the experience and skills of our current officers, management and key employees. In particular, our senior management has significant experience in the sale and production of pediatric, adult and pet nutritional products. The loss of any of these key personnel could adversely affect our ability to sustain and grow our business. There is no assurance that we will be able to hire additional qualified employees to strengthen our management team or integrate new management into our existing operations in order to keep up with the proposed growth of our business. We may not be able to attract or retain suitably qualified personnel. Failure to attract and retain additional qualified personnel may hinder our ability to grow our business, which could materially and adversely affect our business, financial condition and results of operations. For example, we have established a chief executive officer ("**CEO**") Office, comprising (i) rotating CEO, which will be sequentially taken by regional CEO of North America, Europe Middle East and India, regional CEO of Asia, Australia and New Zealand, and regional CEO of China, who will act as the CEO of the Group by rotation (in the abovementioned order) for a term of 9 months each commencing on 1 December 2023; and (ii) as standing members, the Group's chief financial and operating officer, the Group's chief people officer and the chairman of the Board. For further information, see "*Management*".

Our business could be harmed by a failure of the information technology and administrative systems.

We rely on our information technology and administrative systems, in particular our ERP systems (the systems which supports our operations and administration), membership points accumulation system and logistics system, to effectively manage our business data, communications, supply chain, order entry and fulfillment and other business processes. Failure of the information technology or administrative systems could disrupt our business and result in transaction errors, processing inefficiencies and the loss of sales and consumers. We also may face difficulty implementing new systems to integrate our operations. In addition, our information technology and administrative systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, system failures, security breaches and viruses. Any such damage or interruption could have a material adverse effect on our business and prevent us from paying our product suppliers, raw material suppliers or employees, receiving payments from our consumers, the loss of consumer information or performing other information technology or administrative services required by our business on a timely basis. For further information, see "*Business — Information technology*".

We have limited insurance coverage which may not be sufficient to cover all of our potential losses.

We only obtain limited insurance coverage. As a result, we may have to settle claims from our resources for any uninsured financial and other losses, damages and liabilities, including those caused by fire, severe climate and weather, disease, civil strife, strikes, natural disasters, terrorist incidents, industrial accidents or other causes. While we have product liability insurance, public liability insurance, property all-risk insurance, and cargo transportation insurance, which we believe to be adequate and in line with industry norms in the relevant markets in which we operate, significant damage to any of our manufacturing and distribution facilities could result in substantial costs to us. In addition, not all of our suppliers and distributors may have adequate insurance, which may result in their inability to pay claims we have against them. Losses incurred, payments we are required to make or reputational damage we suffer may have a material adverse effect on our business, financial condition and results of operations to

the extent that such losses or payments are not insured, or the insured amount is not adequate to compensate the losses. For further information, see "*Business — Insurance*".

We may need to write down goodwill and other intangible assets which would adversely affect our financial results.

As of 30 June 2024, 38.1% of our total assets constituted goodwill and 26.9% of our total assets constituted intangible assets. In accordance with IFRS, both goodwill and intangible assets are subject to an impairment test, at least annually or upon the occurrence of significant events or changes in circumstances that indicate an impairment has occurred. An adverse development in our business as a result of market conditions, change in consumer preferences or other reasons, may require us to recognize impairment charges and write-off all or a part of the carrying amount of our goodwill and intangible assets. A write-off of all or a part of our goodwill or intangible assets would adversely affect our financial results.

We are required to comply with environmental laws applicable to our operations.

We are required to comply with environmental laws in China, Australia and elsewhere that are applicable to our operations. Failure to comply with such environmental laws may result in penalties that could materially and adversely affect our business, financial condition and results of operations. In addition, to maintain comply with the environmental laws of various jurisdictions we may also have to incur substantial compliance cost, which may have a material adverse effect on our financial condition and results of operations.

We are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints in the markets in which we operate, and our failure to comply with these legal requirements could lead to the imposition of significant penalties or claims, which could harm our financial condition and results of operations.

In China, Australia and other markets in which we operate, the formulation, manufacturing, packaging, labeling, distribution, advertising, importation, exportation, licensing, sale and storage of our products, telecommunication services, franchising and certain other activities are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar legal requirements.

Our failure to comply with these regulations or new regulations could disrupt sales of our products or lead to the imposition of significant penalties or claims and could negatively impact our business.

Guangzhou Mama100 E-commerce Limited ("**Mama100 E-commerce**"), our variable interest entity in the PRC, operates an e-commerce platform for online trading between third-party suppliers and buyers, and such activity might be deemed as "online data processing and transactions processing services" under the PRC law which may require a Value-added Telecommunication Services Permit covering such business activities.

In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of our products, resulting in significant loss of sales revenues. For further information, see "*Regulation*".

As a company listed on the SEHK, we are also subject to the listing rules of the SEHK and the regulations of the Securities and Futures Commission. Our failure to comply with any such rules or regulations may result in disciplinary proceedings against us, fines, trading of our shares being suspended and other punitive actions that may negatively impact our business.

Ongoing data security and privacy protection compliance requirements could increase costs, and any significant data breach or breach of privacy laws could harm our business, financial condition or results of operations.

Our business requires the appropriate and secure utilization of consumer and other sensitive information. We cannot be certain that advances in criminal capabilities (including cyber-attacks or cyber intrusions over the internet, malware, computer viruses and the like) will not compromise or breach the technology protecting the networks that access and store sensitive information.

In China, we are required to comply with the relevant privacy laws and regulations, including but not limited to, the Civil Code of the PRC《中華人民共和國民法典》, the Cyber Security Law of the PRC《中華人民共和國網絡安全法》, the Ninth Amendment to the Criminal Law《中華人民共和國刑法修正案(九)》, the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》, the Provisions of the Supreme People's Court on Application of Laws to Cases Involving Civil Disputes over Infringement upon Personal Rights and Interests by Using Information Networks《最高人民法院關於審理利用信息網絡侵害人身權益民事糾紛案件適用法律若干問題的規定》and the Decision on Enforcing the Protection of Cyber Information of the Standing Committee of the National People's Congress of the PRC《全國人民代表大會常務委員會關於加強網絡信息保護的決定》. Moreover, regulatory authorities in China are considering a number of legislative and regulatory proposals concerning data protection. The PRC Data Security Law《中華人民共和國數據安全法》, which was promulgated by the Standing Committee of National People's Congress on 10 June 2021, effective on 1 September 2021, outlines the regulatory framework of data security protection. The Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law《關於依法從嚴打擊證券違法活動的意見》, which were issued by the General Office of the State Council and another authority on 6 July 2021, require to speed up the revision of legislation on strengthening the confidentiality and archives coordination between regulators related to overseas issuance and listing of securities, and improvement to the legislation on data security, cross-border data flow, and management of confidential information. Personal Information Protection Law of the PRC《中華人民共和國個人信息保護法》, which was promulgated by the Standing Committee of National People's Congress on 20 August 2021 and became effective on 1 November 2021, outlines the principles in relation to personal information protection. The Cyberspace Administration of China issued the Provisions on Promoting and Regulating Cross-border Data Flow《促進和規範數據跨境流動規定》on 22 March 2024, which came into effect on the same date. This regulation aims to address common questions from market players and alleviate the burden on Chinese data exporters in certain scenarios. On 24 September 2024, the State Council adopted the Regulations on the Management of Network Data Security《網絡數據安全管理條例》, which took effect on 1 January 2025. This regulation provides rules that cover personal information, data security, network security, and other aspects, refining and supplementing the existing higher-level requirements set forth by laws. Despite its broad scope, it adopts a problem-oriented approach and focus on critical issues such as personal information, important data and the cross-border data transfer. In doing so, it provides targeted and comprehensive requirements and measures.

In Australia, we are required to comply with the Australian Privacy Principles under the Privacy Act 1988 (Cth) of Australia. In Europe, we are required to comply with the General Data Protection Regulation. Under these laws and regulations, we are required to take reasonable steps to protect personal information that we hold from misuse, interference and loss, as well as unauthorized access, modification or disclosure. We use consumer data collected from our Mama100 membership program for marketing purposes. Although we believe our current use of this information is in compliance with applicable laws and regulations, any change in such laws and regulations or any further interpretation could affect our ability to use consumer data and subject us to liability as a result of our use of such data.

Any breach of our networks or theft of consumer information could diminish consumer trust in our products and system, reduce the effectiveness of our CRM systems and harm our reputation and negatively impact our results of operations.

We are exposed to interest rate fluctuations.

With respect to our floating interest rate instruments, namely the Senior Facilities, we are exposed to the interest rate risk, and for our fixed interest rate instruments, we are exposed to fair value interest rate risk. Although we have entered into interest rate swaps and will continue attempting to mitigate our interest rate exposure by entering into interest rate hedging agreements for interest payments with respect to USD borrowings, changes in interest rates, particularly relating to any A$ borrowings under the Senior Facilities, may have a material adverse effect on our results of operations if the interest rate movement is not effectively hedged.

Fluctuations in currency exchange rates could have a material adverse effect on our financial condition and results of operations.

The majority of our earnings are generated in the Renminbi and the Australian dollar. Thereby, we are primarily exposed to currency risk on purchases and borrowings that are denominated in a currency other than the Renminbi and the Australian dollar. We may convert Renminbi or Australian dollar into foreign currencies to make investments and acquisitions, pay expenses or service debt. A portion of our revenue, expenses and borrowings are denominated in U.S. Dollars and other foreign currencies, though the functional currency of the Company is Hong Kong dollar which also creates exchange risk. We purchase supplies and pay other costs, including interest, in a number of currencies, the most material of which are transactions denominated in US dollar and Euro. A significant change in the value of the Renminbi or Australian dollar against the US dollar or Euro, to the extent we are unable to protect against currency risk, could have a material adverse effect on our financial condition and results of operations.

Any appreciation of the Renminbi, or Australian dollar, could subject us to increased competition from imported products. Furthermore, because our business purchases a significant proportion of products and raw materials from overseas suppliers, any depreciation of the Renminbi or Australian dollar could result in an increase of the cost of importing these products and raw materials, and if we are unable to manage increased costs to our regional distributors by selling products at higher prices, our results of operations could be adversely affected.

Whilst we have entered into certain hedging arrangements to mitigate the impact of currency exchange rate fluctuations on the cost of products and in respect of US dollar-denominated liabilities, and we may continue attempting to mitigate foreign exchange risks by entering into hedging arrangements with respect to US dollar-denominated liabilities under the Notes, we cannot assure you that our hedging will be always effective. Additionally, these hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. If we were unable to provide such collateral, it could constitute a default under such agreements. There can be no assurance that our hedging practices will effectively protect our business against currency risk. To the extent we are unable to effectively hedge or offset these currency risks, they could have a material adverse effect on our financial performance.

Given our revenues and profits are reported in Renminbi, any depreciation of the Renminbi could have a materially adverse effect on our reported cash flow, earnings and financial position. In addition, the translation of foreign currency assets and liabilities on our statement of financial position, could, to the extent it is not offset, have a material adverse effect on our financial position and results of operations.

Risks relating to conducting business in China

Demographic growth attributable to the implementation of "two-child" and "three-child" policies may be lower than expected.

We believe that the introduction of China's "two-child" policy in October 2015 and the "three-child" policy in May 2021 or other future similar policies, if any, will incentivize population growth in our key

demographic segment. However, the positive impact of "two-child" policy or other future similar policies, if any, on demographic growth in China may be less than expected. In addition, the demographic growth attributable to "two-child" and "three-child" policies could also be offset by other factors that reduce population growth. For example, the new-born population of approximately 17.2 million in 2017 did not meet the expectation of a sustained upwards trend from 2016 (where 17.9 million babies were born), and the number of births has been steadily declining, with the number of births in 2020 being only 12 million and the number of births in 2023 being approximately 9.02 million and approximately 4.3 million in the first half of 2024, according to the National Bureau of Statistics of the PRC. If the new-born population significantly decreases, the growth of our baby nutrition and care product segment as well as our results of operations and business development may be adversely affected.

A substantial number of our assets are located in China and a substantial portion of our revenue is derived from our operations in China. Accordingly, an economic slowdown in China could have a materially adverse impact on our business, financial condition, results of operations and prospects.

A substantial portion of our operations are conducted in China and a significant portion of our revenue is generated from our business activities in China. Our results of operations have been and will continue to be affected by growth of the markets in which we operate in China and the Chinese economy as a whole. Although the Chinese economy has grown significantly in recent years, the rate of growth has declined, and the Chinese economy may not be able to sustain the same growth rate in the future. Adverse economic conditions, including economic instability, and a corresponding reduction in disposable income and consumer confidence may result in consumers reducing their use of our products or otherwise modifying their behavior in ways that could have a negative impact on our business. A slowdown in overall economic growth, a credit or liquidity crisis resulting from bad loans in the banking sector, an economic downturn or recession or other adverse economic developments in China could reduce the demand for our products and adversely affect our business, financial condition and results of operations.

Changes in China's economic, political or social conditions or government policies could have an adverse effect on our business.

The Chinese economy differs from the economies of most developed countries in many respects, including but not limited to the economic and political structure, the extent of government involvement, level of development, growth rate, uniformity in the implementation and enforcement of laws, regulation of foreign trade, control over capital investment and allocation of resources. As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to that of developed countries.

Whilst the Chinese economy has experienced significant growth in the past 30 years, growth has been uneven both geographically and across different sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide allocation of its economic resources. Although these measures could benefit the Chinese economy overall, they could nevertheless have a negative effect on our business and results of operations. For example, our financial condition and results of operations could be adversely affected by increased government control over capital investments or changes in tax regulations that are applicable to us.

In addition, many of the economic reforms carried out by the Chinese government are experimental and are expected to be refined and improved over time. Other political, economic and social factors could also lead to further adjustments of the reform measures. This refinement and adjustment process could have an unpredictable impact on our operations and business development. Furthermore, our business, financial condition and results of operations could be adversely affected by:

- changes in Chinese political, economic and social conditions and nutrition and care products;

- changes in policies of the Chinese government, including changes in policies aimed at strengthening the safety and quality of pediatric products;

- changes in laws and regulations or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- imposition of additional restrictions on currency conversion and remittances abroad; and
- reduction in tariff protection and tariff increase and other import restrictions.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented measures that emphasize the utilization of market forces for economic reform, reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial percentage of productive assets in China are still owned by the Chinese government. The ongoing control of these assets and other aspects of the national economy by the Chinese government could have a materially adverse impact on our business. The Chinese government-owned or controlled businesses could enter the market as direct competitors in our industry. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over Chinese economic growth through the allocation of resources, control of foreign currency-denominated payments, establishment of monetary policy and provision of preferential treatment to particular industries or companies. In particular, the Chinese government could decide to more closely regulate the areas relevant to our business, which could impose additional regulatory costs and burdens on us.

The future performance of the PRC economy is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States, the United Kingdom and the European Union. For example, concerns about global economic conditions or geopolitical events, such as the conflict between Russia and Ukraine and sanctions imposed by governments in response, may continue to cause elevated levels of market volatility. In addition, effective on 31 January 2020, the United Kingdom has officially exited from the European Union, and on 31 December 2020, the implementation period for Brexit came to end and the United Kingdom formally exited the European Union. There remains significant uncertainty as to its impact on the economic conditions of other part of the world, such as the PRC, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. The outlook for the world economy and financial markets remains uncertain. From time to time, the PRC and other countries may adopt, adjust or withdraw their macroeconomic measures, monetary policies and economic stimulus packages, which further increases the difficulty in predicting the outlook for the world economy and financial markets. Economic conditions in the PRC are sensitive to global economic conditions and it is impossible to predict how the PRC economy will develop in the future and whether it might slow down due to the global crisis or experience a financial crisis in a manner and scale similar to that in the United States and European countries between 2008 and 2011.

Past and potential additional tariffs imposed by the United States government or a global trade war could materially and adversely affect our business, financial condition and results of operations.

The United States government has imposed increased tariffs on certain imports from China. In addition, further rounds of tariffs have been threatened by the United States. For example, the United States imposed a tariff of up to 25% on USD250 billion worth of Chinese goods and threatened to further increase the tariff and impose additional tariffs on a larger pool of Chinese goods. In retaliation for the tariffs imposed by the United States, China implemented a tariff of 10% to 15% on a wide range of US

products, and threatened to impose additional tariffs on other US products. In addition, in 2019, the US government restricted certain Chinese technology firms from exporting certain sensitive US goods. The PRC government lodged a complaint in the World Trade Organization against the US over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On 15 January 2020, the US and PRC governments signed the US-China Economic and Trade Agreement (the "**Phase I Agreement**"). Under the Phase I Agreement, the US agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of US goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken, and trade tensions will escalate. The amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the industries and markets that we operate in remain uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected. Increased tariffs could have a material adverse effect on our business, albeit indirectly given our low exposure to the US in terms of supply and customer base. There is also a concern that the imposition of additional tariffs by the United States could result in the adoption of tariffs by other countries, leading to a global slowdown or recession, which may further adversely affect our business. Escalating trade tensions could materially and adversely affect the global macroeconomic environment and our business, financial condition and results of operations.

There are uncertainties with respect to PRC laws and regulations on cross-border e-commerce, compliance with which may be time-consuming and costly.

We operate our flagship online. The PRC governmental authorities have promulgated several new laws, regulations, announcements, notices and decisions on cross border e-commerce since March 2016, which aim to, among other things, strengthen the regulation on health food imported through cross border e-commerce. See "*Regulation — Cross border e-commerce*". Many of our Swisse™ branded adult nutrition and care products can be classified as normal food under PRC laws and thus will not be required to be registered or filed as health food with the SAMR. On that basis, our current method of importing Swisse™ branded adult nutrition and care products into China is in compliance with applicable laws and regulations of PRC.

The classification of our food products as normal food or health food depends upon, to a great extent, the determination by relevant PRC governmental authorities, and uncertainties remain with respect to their interpretation of the applicable laws and regulations; moreover, we cannot assure you that the government authorities of different localities take the same view as ours or will not change their views in the future. If our products are deemed as health food and subject to the registration and/or filing procedure under the cross-border e-commerce retailing import regulations and relevant food safety laws, we will face uncertainties that we may not complete such registration and/or filing procedure successfully and in timely manner, which could have a material adverse effect on our business, results of operation and financial condition. Currently we have obtained 17 health food product licenses. We are also developing new products, but registration or filing with SAMR as health food of these products is not required at this stage. New e-commerce laws in China targeting daigou-related channels, which were first announced in August 2018, came into force on 1 January 2019. These new laws require all online merchants, including daigou, to register with SAMR and file taxes with the PRC Tax Bureau. Whilst the implementation of the new e-commerce laws benefited larger players operating within a more regulated environment, small-scale merchants and daigou operating without an appropriate license faced pressure to exit the market. Any further disruption to the daigou channel due to changes in PRC laws and regulations could materially and adversely affect our business and results of operations.

The maximum limit on the number of product formulas and formula series that may be registered by a single enterprise according to the PRC laws and regulations on the registration of the infant formula products may result in an adverse impact on operation of the Company.

According to the Food Safety Law, the formula of both domestic and imported infant milk formula products must be registered with the SAMR. On 6 June 2016, the CFDA published the Administration

Measures for the Registration of Formulas of Infant Formula Milk Powder Products《嬰幼兒配方乳粉產品配方註冊管理辦法》effective from 1 October 2016 and amended by the SAMR on 26 June 2023 and became effective on 1 October 2023, pursuant to which, all formulas of infant formula milk powder products manufactured and sold domestically or imported shall be registered. Further, an entity can only apply for a maximum of nine product formulas within three formula series. See "*Regulation — Regulation on infant milk formula, food and dairy products and pet food products*". Subject to the statutory maximum limit on the number of product formulas and formula series that could be registered by a single entity, we may be required to adjust the design of product formulas and formula series, and to put forward new formula series. These such processes may be time-consuming and costly and could adversely affect our revenue and results of operations.

Our Swisse™ normal trade business in China may face increasing supervision and regulation.

In early 2017, we officially launched normal trade (retail bricks and mortar) sales of Swisse™ branded products in China. Swisse™ products are offered for normal trade sale through the formal importation of our products into China.

Many of the Swisse™ branded products (though in some cases with minor adjustments and/or reformulations), are classified as normal food in China and therefore can be imported and sold in China without triggering the additional filing or registration obligations under the Registration and Filing Measures. By classification of our products as normal food, we cannot make health claims on the Chinese labels. However, there is uncertainty in the interpretation and implementation of the relevant regulations by SAMR with respect to the classification of normal foods and health foods. We are unable to guarantee that the relevant PRC authorities will not take a rigid regulation approach and request some, or all of our Swisse™ branded products that are imported into China be filed or registered as health foods before they can be legitimately sold through our normal trade channel.

Where our products imported into China are regarded as "health food" instead of "normal food", pursuant to the Registration and Filing Measures, we may need to submit additional filings or registrations, which must be approved by the relevant authorities, in order to be able to sell those products in our normal trade channel in China. These filings and registrations, where required, could take additional time to complete and be approved.

We have continued to support further expansion of Swisse's normal trade channel by filing more "blue hat" licenses with the SAMR, and the launch of more comprehensive products in the Chinese offline market. As of 30 June 2024, we have obtained the Filing Certificates of Health Product (保健食品備案憑證) for our 'Swisse™ Ultiboost Calcium + Vitamin D', 'Swisse™ Calcium + Vitamin D Tablets' 'Swisse™ Kids Vitamin D3 Liquid', 'Swisse™ Vitamin C Effervescent', 'Swisse™ Ultiboost Iron Tablet', 'Swisse™ Men's Multivitamin & Mineral' and 'Swisse™ Women's Multivitamin & Mineral' and 'Swisse™ Vitamin B Tablet' products. We also have obtained the Register Certificate of Health Product (保健食品註冊批文) for our 'Swisse™ Lactobacillus Plantarum Probiotics Capsules' product. We intend to file or register other Swisse™ branded products under the Registration and Filing Measures with competent authorities. However, there is no assurance that such filing or registration will be completed in a timely manner or at all, due to the inherent uncertainty of implementation of the Registration and Filing Measures by the relevant PRC authorities. As such, any difficulties in the filings or registrations of our Swisse™ branded products to be sold via normal trade, or on cross border e-commerce platforms post the transition period in China could have a material and/or adverse impact on our sales.

The PRC legal system is in the process of continuous development and has inherent uncertainties that could have a materially adverse impact on our business operations.

Our business and operations are primarily conducted in the PRC and governed principally by the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Prior court

decisions may be cited for reference but are not binding on subsequent cases and have limited value as precedents. Since 1979, PRC legislative bodies have promulgated laws and regulations dealing with economic matters such as the issuance and trading of securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation, and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve substantial uncertainties and can be inconsistent.

However, the PRC has not developed a fully integrated legal system and the array of new laws and regulations may not be sufficient to cover all aspects of economic activities in the PRC.

Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts (with respect to, *inter alia*, our establishment, corporate structure and operation) may be uncertain or sporadic. On that basis, there is no guarantee that regulators will interpret or implement the laws in a way that is consistent with our understanding of the laws, and it may be difficult to obtain swift and equitable enforcement of a judgment by a court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated laws and regulations.

Furthermore, the PRC is geographically large and divided into various provinces and municipalities and, as such, different laws, rules, regulations and policies apply in different provinces and may have different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations, and we may not be made aware of our violation of these policies and rules until long after they have occurred. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. There is at present also no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, each court may refuse to make the documentation that it holds available for inspection. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Chinese regulations relating to the establishment of offshore special purpose vehicles by PRC residents could adversely affect our business operations.

On 4 July 2014, the Circular on Related Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and in Round-trip Investment via Special Purpose Companies《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》("**Circular No. 37**") was promulgated by the State Administration of Foreign Exchange (國家外匯管理局) ("**SAFE**"), which rescinded the Notice Regarding Related Issues Concerning Foreign Exchange Administration for Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》("**SAFE Circular No. 75**") issued by SAFE on 21 October 2005, effective from 1 November 2005. Subject to Circular No. 37, PRC residents, individuals or institutions are required to register with the Bureau of Foreign Exchange Administration before they invest in a special purpose vehicle (the "**SPV**") with legitimate assets or equity interests both inside and outside the PRC. In addition, any PRC resident that is a shareholder of an offshore SPV is required to amend its SAFE registration in a timely manner after any major changes are made to the offshore SPV, such as an addition or removal of a major PRC Resident shareholder, changes to the name or term of operation of the SPV, any increase or decrease of capital, stock right assignment or exchange, or merger or division. According to the procedural guidelines attached to Circular No. 37, scope of review for SPVs has been changed to "the domestic individual

resident is only required to register the SPV directly established or controlled (first level)". Failure to comply with the registration procedures set forth in Circular No. 37 could result in restrictions being imposed on the subsequent foreign exchange activities of the relevant PRC residents, including remittance of dividends and profits from relevant PRC subsidiaries to their offshore shareholder(s).

Beneficial shareholders of our business who are defined as domestic residents under SAFE Circular No. 37 (namely, Mr. Luo Yun, Mr. Chen Fufang, Ms. Kong Qingjuan, Mr. Wu Xiong and Mr. Luo Fei) had registered their investment in Health and Happiness (H&H) China Limited (formerly Biostime Inc. (Guangzhou)), Biostime Health and Dodie Guangzhou with the SAFE Guangdong branch, and such beneficial shareholders amended their registration per the relevant changes made to the offshore SPV. The beneficial shareholders have each set up family trusts, respectively, and transferred the equity interest in offshore SPV to such family trusts; therefore, the issued capital of the SPV is now held by the trustee of each family trust. Mr. Wu Xiong has not been a domestic resident since he obtained a Hong Kong passport in November 2018 and Mr. Luo Fei has not been a domestic resident since he obtained a Hong Kong passport in September 2019. As from 7 April 2022, Mr. Luo Yun has ceased to be interested in the shares as a settlor of his family trust but continued to be interested in the same shares in the capacity of a beneficiary of another beneficial shareholder's family trust. Under Circular No. 37, the foregoing changes may require registration with SAFE Guangdong branch. However, Mr. Luo Fei, Mr. Wu Xiong, Mr. Luo Yun, and Ms. Kong Qingjuan have obtained the Hong Kong passports and have not been domestic residents after they set up the relevant family trusts. Based on our consultation with SAFE Guangdong branch through a local bank, SAFE Guangdong branch currently does not in practice accept such registration application for the family trust arrangements. However, failure to register our family trust arrangements and the subsequent changes could still constitute a violation of Circular No. 37, which may cause restrictions on the subsequent foreign exchange activities of our PRC subsidiaries, including remittance of dividends and profits from relevant PRC subsidiaries to their offshore shareholder(s).

Moreover, we may not be fully informed of the identities of all of our future beneficial shareholders who are PRC residents, and we do not have control over our future shareholders. As such, we cannot ensure that our beneficial shareholders who are PRC residents will fully comply with the regulations of SAFE. Any failure by our PRC resident shareholders to register with SAFE or update SAFE's records, or the failure of future shareholders who are PRC residents to comply with registration requirements, could result in penalties, including the prohibition of payment to offshore parents of the proceeds generated from capital reductions, share transfers or liquidations of our PRC subsidiaries. These penalties could have a materially adverse effect on our ownership structure, acquisition strategy, business operations, our ability to make dividend payments to shareholders, to repay inter-company loans and our ability to satisfy our obligations under the Notes.

Failure to comply with PRC labor laws and regulations regarding employee protections such as setting up social security or housing fund accounts could subject us to fines and other legal or administrative sanctions.

The Labor Contract Law of the People's Republic of China《中華人民共和國勞動合同法》("**Labor Contract Law**") promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "**Standing Committee of NPC**") on 29 June 2007 and amended on 28 December 2012, and the Implementing Regulations of the Labor Contract Law of the People's Republic of China《中華人民共和國勞動合同法實施條例》promulgated by the State Council on 18 September 2008, set out specific provisions with respect to the execution, terms and the termination of employment contracts and the rights and obligations of employees and employers.

Under the Labor Contract Law, our PRC subsidiaries may not be able to efficiently terminate employment contracts without cause. In addition, our PRC subsidiaries are also required to make severance payments to employees upon the expiration of their employment contracts unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract under circumstances in which

the conditions offered by the subsidiary are the same as or better than those stipulated in the current contract. The amount of severance payment is calculated based on the monthly wage of the employee *multiplied by* the number of full years that the employee was employed by our PRC subsidiary. However, if the employee's monthly wage is three times greater than the average monthly wage in the relevant district or locality, severance payment is based on a monthly wage equal to three times the average monthly wage and the number of years it is *multiplied by* is capped at 12 years.

Our business in China is required to contribute to a number of social security funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and a housing accumulation fund on the behalf of our employees. We are also required to set up social security and housing fund accounts (社保和住房公積金賬戶) for our employees.

Under the PRC law, an employer is required to pay its employees' social insurance contributions in the city where such employer is registered. Domiciles of certain employees of our PRC subsidiaries are different from the registered office of the relevant PRC subsidiary. Some of our PRC subsidiaries, upon their employees' request, have paid the employees' required social insurance contributions on their behalf to the relevant authorities at the employees' domiciles which may be considered as a violation of the PRC law. The relevant municipal PRC authority may order our PRC subsidiaries that have engaged in such activities to pay premiums or make up the shortfall within a prescribed time limit and impose a late payment fee equal to 0.05% of the outstanding amount of the social insurance contribution on a daily basis. Failure to comply with such order may cause our PRC subsidiaries to be subject to a fine in an amount of up to three times the outstanding amount.

In addition to the above, if our business and subsidiaries in China fail to comply with any other relevant labor laws and regulations, we could also be exposed to penalties or be required to pay damages to employees. For example, if any of our PRC subsidiaries engaging in manufacturing fails to comply with the relevant laws on prevention and treatment of occupational diseases, then such subsidiary may be subject to fine and other administrative penalties. In addition, any employees who are deemed to suffer from occupational diseases may have rights to seek compensation from the relevant PRC subsidiaries. This could substantially increase our labor costs. Our business in China cannot ensure that any employment disputes or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition or results of operations. In particular, an increase in labor costs in China could increase our production costs in the future and we might not be able to pass these increases on to our consumers due to competitive pricing pressures.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than what we currently anticipate.

Distributions made by PRC companies to their offshore parents are generally subject to a 10% withholding tax under the EIT Law. Pursuant to the PRC EIT Law《中華人民共和國企業所得税法》("**EIT Law**") and the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》, the withholding tax rate on dividends paid by our PRC subsidiary to our Hong Kong subsidiary would generally be reduced to 5%, **provided that** our Hong Kong subsidiary is the beneficial owner of the PRC-sourced income and we have obtained the approval of the competent tax authority. However, based on the Circular of the SAT on Relevant Issues concerning the implementation of Dividend Clauses in Tax Treaties《國家税務總局關於執行税收協定股息條款有關問題的通知》, which was promulgated by the SAT and took effect on 20 February 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. In addition, on 3 February 2018, the State Administration of Taxation issued the Announcement on Certain Issues Concerning the "Beneficial Owners" in the Tax Treaties《關於税收協定中「受益所有人」有關問

題的公告》("**Circular 9**"), which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's tax treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner and, therefore, will not qualify for these benefits. We have been recognized as a Hong Kong tax resident since 2013 and thus qualify as a "beneficial owner" to enjoy the preferential rate of 5%. However, we cannot assure you that we can continue to be regarded as a "beneficial owner" for the purposes of such dividend payments. If we are not able to enjoy preferential tax treatment at historical levels in the future, our ability to pay our obligations under the Notes may be adversely impacted.

Our business could be deemed to be a PRC resident enterprise under the EIT Law. As a result, we could be subject to PRC Taxation on our worldwide income.

Under the EIT Law, enterprises established under the laws of jurisdictions outside China with their "de facto management bodies" located within the PRC could be considered to be PRC resident enterprises for tax purposes. The Regulation on the Implementation of Enterprise Income Tax Law of the PRC《中華人民共和國企業所得税法實施條例》(the "**EIT Rules**") interprets "de facto management body" as a body that exercises substantial management or control over the business, personnel, finances and property of a business. The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as Chinese Tax Resident Enterprises on the Basis of De Facto Management Bodies《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》promulgated by the SAT on 22 April 2009 with latest amendment on 29 December 2017 sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China.

We have not been informed by any PRC tax authorities that we or any of our offshore subsidiaries are treated as a resident enterprise for PRC tax purposes as of the date of this offering memorandum. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the meaning of "de facto management body". If PRC tax authorities determine that we are a PRC tax resident under the EIT Law, our global income could be subject to PRC enterprise income tax at the rate of 25%, which could have a materially adverse effect on our financial condition and results of operations; furthermore, dividends that we pay and gains realized from the sale or disposition of our shares may also be subject to relevant PRC taxes.

Interest payable by us to our foreign investors and gains on the sale of our Notes may become subject to taxation under PRC tax laws.

Under the EIT Law, if our business is deemed to be a resident enterprise in the PRC, PRC withholding tax at the rate of 10% could be applicable to any interest payable by us to investors that are non-resident enterprises if such non-resident enterprise investors do not have a place of business in China or if, despite the existence of such place of business in China, relevant income from the business is not effectively connected to the place of business in China.

Any gain realized on the transfer of the Notes by non-resident enterprise investors could be subject to a 10% PRC tax if our business is deemed to be a PRC resident enterprise and such gain is regarded as income derived from sources within China.

Because PRC resident enterprises are required under the EIT Law to withhold PRC income tax on interest payable to Noteholders that are non-resident enterprises, our business could be required to pay any such additional amounts as would result in receipt by a holder of Notes of such amounts as would have been received by the holder had no such withholding been required.

Moreover, as the PRC government has fully implemented the Value Added Tax ("**VAT**") policy starting from 1 May 2016, interest income derived from China should be subject to a VAT at the rate of 6%. It is uncertain, however, if we are deemed as a PRC resident enterprise, whether the interest paid by us to the non-resident enterprises would also be imposed VAT. A requirement to pay additional amounts could increase the cost of servicing interest payments on the Notes and could have a materially adverse effect on our ability to pay interest on, and repay the principal amount of, our Notes, as well as our profitability and cash flow. Additionally, if an investor is required to pay PRC income tax on the transfer of our Notes, the value of the investment in our Notes could be materially impacted. It is unclear whether holders of our Notes would be able to claim the benefit of income tax treaties or agreements entered between China and other countries or areas if our business is considered a PRC resident enterprise.

The PRC national economy and economies in different regions of the PRC could be adversely affected by natural disasters, acts of God, or the occurrence of an epidemic.

Our business in the PRC is subject to general economic and social conditions in the PRC, particularly in regions where our operations are located. Natural disasters, epidemics and other acts of God which are beyond our control could adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics such as Severe Acute Respiratory Syndrome ("**SARS**"), H5N1 avian flu, H7N9 avian flu, the human swine flu, also known as Influenza A (H1N1) or the COVID-19 pandemic. Past occurrences of pandemics or epidemics, depending on their scale, have also caused different degrees of damage to the national and local economies in China. A recurrence of COVID-19, SARS or an outbreak of any other epidemics in China, especially in the cities where we have operations, could result in material disruptions to our business operations, which in turn could have a materially adverse effect on our financial condition and results of operations.

Restrictions by the PRC government on foreign exchange could limit our future liquidity.

At present, the Renminbi is not freely convertible to other foreign currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations, payment of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval from SAFE but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions.

Our source of funds from China consists primarily of dividend payments, intercompany stock purchases and intercompany loans by our subsidiaries in China. We cannot ensure that we will be able to meet all of our foreign currency obligations or to remit profits out of China. If our subsidiaries are unable to obtain SAFE approval to repay loans to us, or if changes to relevant regulations place restrictions on the ability of our subsidiaries to remit dividend payments to us, our liquidity and ability to satisfy our third-party payment obligations, as well as our ability to meet obligations under the Notes, could be adversely affected.

Tax authorities in China have increased scrutiny over transfers of equity interests in PRC resident enterprises by non-resident enterprises, which could negatively impact our business and our ability to conduct mergers, acquisitions or other investments.

On 3 February 2015, SAT issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises《關於非居民企業間接轉讓財產企業所得稅

若干問題的公告》("**Circular No. 7**"), which was amended by the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-Resident Enterprises《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》("**Circular No. 37**") issued by SAT on 17 October 2017 and amended by SAT on 15 June 2018. Circular No. 7 and Circular No. 37 provide comprehensive guidelines relating to indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**"). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular No. 7 allows the tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular No. 7 exempts this tax in situations: (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market; and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular No. 7 will be applicable to any future mergers, acquisitions or other investments that we may make outside China involving PRC Taxable Assets or to transfers of our shares by our shareholders. If Chinese tax authorities impose PRC enterprise income taxes on these activities, our ability to expand our business or seek financing through these transactions could be adversely affected.

It could be difficult to serve process within the PRC or to enforce any judgments obtained from non-PRC courts against us or our management.

It may be difficult to effect service of process within the United States or elsewhere outside the PRC upon the Group or most of the Group's Directors, Supervisors and senior management personnel, including with respect to matters arising under the US federal securities laws or applicable state securities laws. Furthermore, courts of the PRC may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country or region where the judgment is made or on the principle of reciprocity between such jurisdictions. Reciprocal enforcement of judgements of non-PRC courts might be determined by the PRC court case by case. As a result, there is uncertainty as to the recognition and enforcement in the PRC of judgements of a court obtained in the United States and any of the other jurisdictions mentioned above.

On 14 July 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》(the "**Arrangement**"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgement. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgement rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. On 18 January 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong)《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》(the "**New Arrangement**") which seeks to establish a mechanism with further clarification on and certainty for reciprocal recognition and enforcement of judgments in a wider range of civil and commercial matters between PRC and Hong Kong. The New Arrangement discontinued the requirements

for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement came into effect on 29 January 2024 and superseded the Arrangement.

Under the New Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the New Arrangement. Although the New Arrangement come into effect, the outcome and effectiveness of any action brought under the New Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the New Arrangement can be recognized and enforced in a PRC court.

Movement in the exchange rate of the Renminbi could adversely affect the financial performance and results of operations of our business.

Although a substantial portion of our revenue is generated in China and is denominated in Renminbi, we are required to convert RMB to foreign currency for satisfaction of our reporting obligations, including under the Notes and to holders of our shares. The value of the Renminbi against other foreign currencies is subject to changes in the PRC government's policies and international economic and political developments. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and Hong Kong dollar or other foreign currencies, and Renminbi may appreciate or depreciate significantly in value against Hong Kong dollar in the medium to long term.

Since our revenues and profits are reported in Renminbi, any depreciation of the Renminbi could have a materially adverse effect on our reported cash flow, earnings and financial position and may impact our ability to satisfy our obligations under the Notes.

Risks relating to our indebtedness

We have a substantial amount of indebtedness and our debt service obligations under the Notes may restrict our ability to fund our operations.

We have a substantial amount of indebtedness and significant debt service obligations, including under the Senior Facilities, the Notes, the 2026 Notes, the RMB Bonds, the RMB Loan Facilities and other indebtedness. We cannot guarantee that we will be able to generate sufficient cash flow from operations to service our debt obligations on an ongoing basis. See "*Capitalization*" for certain information on our borrowings.

The size of our indebtedness relative to our profitability could have important consequences to holders of the Notes, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes and our other liabilities;

- increasing our vulnerability to, and reducing our flexibility to respond to, a downturn in our business or general adverse economic and industry conditions;

- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow, and limiting the ability to obtain additional financing to, fund working capital, capital expenditures, acquisitions, joint ventures, or other general corporate purposes;

- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate;

- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and

- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Therefore, our flexibility in planning for, or reacting to, changes in our business, the competitive environment, the general economic conditions and the industry in which we operate may be limited. Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes, and would therefore have potentially harmful consequences for the development of our business and the implementation of our strategic plans.

Despite our current debt levels, we may incur additional debt, which could further exacerbate the risks described in this section.

We have the right to incur additional debt in the future. Although the terms of the Senior Facilities, the Indenture, the 2026 Notes Indenture, the RMB Bonds and other indebtedness may contain restrictions on the incurrence of additional debt, these restrictions will be subject to a number of important qualifications and exceptions. Such exceptions and qualifications may allow us to, among other things, incur additional indebtedness, pledge assets to secure certain indebtedness, make certain investments and/or sell assets. If this occurs, there is a risk that we may become significantly leveraged, sustain losses on our investments and/or lose revenue streams, any of which could materially and adversely affect our ability to satisfy our obligations under the Notes and other indebtedness.

In the future, we may continue to explore opportunities to grow our business, including by means of investments or acquisitions of complementary businesses, in line with our Group's overall business development strategy. We may incur a substantial amount of additional debt to fund such investments or acquisitions in compliance with the terms of the Notes, the Senior Facilities, the 2026 Notes, RMB Bonds and other indebtedness. Furthermore, such investments or acquisitions may not necessarily generate substantial additional revenue or cash but will be evaluated on their contribution to our business as a whole.

For further information regarding our leverage and for more information about our outstanding indebtedness, see also "*Capitalization*" and "*Description of certain financing arrangements*".

Our cash flow and capital resources may not be sufficient for future debt service and other obligations.

Our ability to make debt service payments under the Notes, the Senior Facilities, the 2026 Notes, the RMB Bonds, the RMB Loan Facilities and other indebtedness, or to refinance any such indebtedness, will depend on our future operating performance and our ability to generate sufficient cash, which, to a certain extent, is subject to the success of our business strategy as well as factors that are not within our control, including general economic, financial, competitive, market, legislative, regulatory and other factors. See "*Risk Factors — Risks relating to our businesses and industries*".

We cannot assure you that our business will generate sufficient cash flows from operations, that currently anticipated revenue growth, and margin improvements will be realized or that future debt, or equity, financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs or meet our capital expenditure requirements.

In addition, prior to the repayment in full of the Notes, we will be required to refinance or repay certain other debt, including the debt under our Senior Facilities, which have quarterly interest payments and amortization payments from 12 months prior to maturity, and the 2026 Notes which have semi-annual coupon payments. If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditure;

- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In such an event, we may not have sufficient assets to repay our debt.

Any failure to make payments on the Notes, the Senior Facilities, the 2026 Notes, the RMB Bonds, the RMB Loan Facilities or other indebtedness on a timely basis could result in default and a reduction of our credit rating, which could also harm our ability to incur additional indebtedness.

In addition, the terms of our debt, including the Senior Facilities, the Notes, the Indenture, the 2026 Notes, the 2026 Notes Indenture, the RMB Bonds and other indebtedness and any future debt may limit our ability to pursue any of these financing alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

Restrictive covenants may have an adverse impact on our ability to fund future operations and capital needs.

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

The 2026 Notes Indenture, the Indenture and the Senior Facilities restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on our Capital Stock or purchase or redeem Capital Stock;
- make investments or other restricted payments;
- issue or sell Capital Stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;

- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and

- consolidate, merge, or sell all or substantially all of our assets.

These limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes — Certain Covenants*". In addition, our RMB Bonds also contain certain covenants, with exceptions and qualifications. See "*Description of Certain Financing Arrangements — The RMB Bonds*". Despite these exceptions and qualifications, the covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the terms of the Senior Facilities, the Notes, the 2026 Notes, the RMB Bonds and other material financing arrangements and the relevant lenders or, as the case may be, the relevant noteholders could elect to declare the debt, together with accrued and unpaid interest and other fees, if any, immediately due and payable and proceed against any collateral securing that debt. This could also result in an event of default under the Indenture. If the debt under the Senior Facilities, the Notes, the 2026 Notes, the RMB Bonds or any other material financing arrangement that we enter into were to be accelerated, our assets might be insufficient to repay the Notes in full and our other debt. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated or become payable on demand. In these circumstances, our assets may not be sufficient to repay in full that indebtedness and our other indebtedness then outstanding, including the Notes. See "*Description of certain financing arrangements*".

Increase in floating rates of interest may increase our costs and reduce our cash flow.

The drawings under the Senior Facilities bear interest at a floating rate of interest per annum equal to (if denominated in USD) USD SOFR, (if denominated in AUD) BBSY Bid or (if denominated in HKD) HIBOR and a margin per annum. These floating interest rates could rise significantly in the future. We may enter into certain hedging arrangements designed to fix a portion of all or some of these rates or swap to a different floating rate. We may also enter into additional hedging arrangements in relation to future indebtedness. However, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

Our ability to service the Notes will be restricted by our other debt requirements within certain of our subsidiaries.

Some of our subsidiaries have incurred debt under the Senior Facilities, and certain subsidiaries will be permitted to continue to do so in the future under the Senior Facilities, the Notes, the Indenture, the 2026 Notes, the 2026 Notes Indenture, the RMB Bonds and other indebtedness, subject to indebtedness restrictions. Such indebtedness may impose constraints on our subsidiaries. Such constraints may make it harder to distribute cash out of those subsidiaries which could have been used to service payments on the Notes.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Indenture governing the Notes, or in our current or future debt obligations and other agreements, including the terms of the Senior Facilities, the Notes, the 2026 Notes, the RMB Bonds and other indebtedness, there could be a default under the terms of these agreements. In the event of such default, the holders of the relevant debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, the Senior Facilities, the Notes, the 2026 Notes, the RMB Bonds and other indebtedness, may, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events were to occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Risks relating to the Notes, the Subsidiary Guarantees and the Collateral

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities and obligations of our subsidiaries that do not guarantee the Notes.

We are a holding company with limited business operations other than the equity interest which we hold in our subsidiaries. We conduct most of our operations through our subsidiaries. The Notes will not be guaranteed by certain of our subsidiaries, including all of our PRC subsidiaries. Our PRC subsidiaries generate a significant portion of our revenues, EBITDA and cash flow from operations. See "*Description of the Notes — The Subsidiary Guarantees*" for a list of the Subsidiary Guarantors. Additionally, most of the initial Subsidiary Guarantors are holding companies that do not have revenue-generating operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees will depend upon the receipt of principal and interest payments on intercompany loans and distributions of dividends from operating subsidiaries. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

The amounts of payments, dividends and other distributions available to us will depend on the profitability and cash flows of our subsidiaries as well as the ability of our subsidiaries to declare dividends or make other distributions under applicable law. Our subsidiaries may not be able or may not be permitted under applicable law or certain contractual arrangements (including under the Senior Facilities, the Notes, the 2026 Notes, certain RMB Loan Facilities and other indebtedness, subject to certain exceptions) to make distributions, make payments on, make repayment on the intercompany loans or otherwise advance upstream loans to us to make payments in respect of our debt, including the Notes.

In addition, our subsidiaries have no obligation to make payments to us with respect to the Notes (other than their obligations under the Subsidiary Guarantees). While the Indenture will limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments, these limitations are subject to significant qualifications and exceptions. In addition, the ability of our subsidiaries to declare dividends or otherwise distribute funds to us will be subject to the requirement to have sufficient retained earnings available for distribution. Furthermore, when any non wholly-owned subsidiary provides funds indirectly to us in the form of a dividend, a *pro rata* dividend must also be paid to the subsidiary's other equity holders. Therefore, there can be no assurance that the dividend and distribution capacity of our subsidiaries will be adequate to fund distributions in amounts and at times sufficient for us to pay our obligations as they become due under the Notes.

In addition, the ability of our PRC subsidiaries to pay dividends and other amounts to us may be subject to applicable laws and restrictions on the payment of dividends and other amounts contained in financing or other agreements. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserve funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These statutory reserves are not available for distribution as cash dividends. Any dividends paid from our PRC subsidiaries would also be subject to withholding tax. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions.

Claims against subsidiaries that are not Subsidiary Guarantors for payment under the Notes will be effectively subordinated to all existing and future obligations of those subsidiaries that are not Subsidiary Guarantors (including obligations of our subsidiaries that are not Subsidiary Guarantors under guarantees issued in connection with our business, contingent obligations and trade payables). In addition, all claims of creditors of our subsidiaries that are not Subsidiary Guarantors will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. Our subsidiaries that are not Subsidiary Guarantors generated 55.6% of our revenue and 30.3% of our Adjusted EBITDA for the year ended 31 December 2023 and represented 27.4% of our total assets as of 31 December 2023.

The Notes will be secured by first ranking security interests over all or substantially all assets of the Company and each initial Subsidiary Guarantor (in each case other than any assets located in the PRC or Capital Stock of subsidiaries in the PRC that will not secure the Notes) as well as pledges/charges over shares of each initial Subsidiary Guarantor, Health and Happiness (H&H) China Limited and Biostime (Guangzhou) Health Products Limited.

The Notes will be secured by first-ranking security interest over all or substantially all assets of the Company and each initial Subsidiary Guarantor (in each case excluding the assets located in the PRC or Capital Stock of subsidiaries in the PRC that will not secure the Notes) as well as pledges/charges over shares of each initial Subsidiary Guarantor, Health and Happiness (H&H) China Limited and Biostime (Guangzhou) Health Products Limited. The obligations under the Senior Facilities are also secured by a first ranking security interest over the Collateral. Furthermore, the Indenture will permit us to incur additional debt that can be secured by liens on such assets, as well as on the collateral that ranks senior to, or equally with, the liens on the collateral that secure the Notes as well as additional security interests. If we become insolvent or are liquidated, or if payment under the Notes, the Senior Facilities or in respect of any other secured indebtedness is accelerated, the holders of the Notes, the Trustee, the lenders under the Senior Facilities, certain hedging counterparties or holders of other secured indebtedness will, subject to the terms of the Intercreditor Agreement, be entitled to exercise the remedies available to secured lenders and hedging counterparties under applicable law (in addition to any remedies that may be available under documents pertaining to the Senior Facilities, any hedging obligations or other senior debt) and share in the Collateral, subject to the Intercreditor Agreement.

In addition, the first ranking security over the assets securing the Notes may be released in certain circumstances without any action by the Trustee or the holders of the Notes. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*". In addition, the value of the collateral securing the Notes may be difficult to realize or not be sufficient to satisfy the obligations under the Notes.

There are circumstances other than repayment or discharge of the Notes under which the Subsidiary Guarantees or the Collateral securing the Notes will be released, without your consent or the consent of the Trustee.

Under various circumstances, the Subsidiary Guarantees and the Collateral securing the Notes will be released, including, without limitation:

- as described under "*Description of the Notes — Amendments and Waiver*";

- in the case of Collateral, in connection with any transaction permitted under "*Description of the Notes — Consolidation, Merger and Sale of Assets*" or upon a disposition not prohibited by the provisions described under "*Description of the Notes — Limitation on Asset Sales*";

- upon payment in full of principal, interest and all other obligations of the Notes or defeasance or discharge of the Notes, as provided under "*Description of the Notes — Defeasance*"; and

- in accordance with the Intercreditor Agreement.

Under the terms of the Intercreditor Agreement, holders of the Notes may not control certain decisions regarding the Collateral that secures the Notes.

The Notes will be secured by a security interest in the Collateral. Under the terms of the Intercreditor Agreement, any *Pari Passu* Creditor (including holders of the Notes) may take enforcement action subject to the restrictions imposed by the Intercreditor Agreement.

Disputes may occur between the holders of the Notes, the holders of the 2026 Notes, the lenders of the Senior Facilities, and the creditors of any future *Pari Passu* Liabilities as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Collateral.

The Notes will not be guaranteed by all our subsidiaries and certain of our Subsidiary Guarantors do not currently have significant operations and may not have the funds necessary to satisfy our financial obligations under the Notes.

The Notes will not be guaranteed by all subsidiaries of the Company. You should note that the Consolidated Financial Information presented in this offering memorandum includes information of entities which are not Subsidiary Guarantors. The Notes will be effectively subordinated to all existing and future obligations of any subsidiaries that do not guarantee the Notes. Some of our subsidiaries may guarantee our other indebtedness and not the Notes. For example, three of our subsidiaries incorporated in the PRC, namely Health and Happiness (H&H) China Limited, Biostime (Guangzhou) Health Products Limited and Biostime (Changsha) Nutrition Foods Limited, are guarantors under the Senior Facilities but will not guarantee the Notes. Certain of our Subsidiary Guarantors that will guarantee the Notes do not have significant operations, and there is no guarantee that such Subsidiary Guarantors will be material in the future or have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

We may be unable to obtain and remit foreign exchange in China.

Our ability to satisfy our obligations under the Notes partly depends upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends. Our PRC subsidiaries receive substantially all of their revenues in Renminbi. Our PRC subsidiaries must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval, registration or filing before they can obtain and remit foreign currencies out of the PRC (including evidence that the relevant PRC taxes have been paid). If any such PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, including the failure to complete the registration of the dividend distribution or the relevant intercompany loans, if any, and the payments thereunder pursuant to the SAFE regulations, or the PRC authorities at its discretion restrict access to foreign currencies for current account transactions (including payment of dividends) in the future, the PRC subsidiary will be unable to pay us dividends or interest and principal, if any, when due, on the relevant intercompany loans, which may affect our ability to satisfy our obligations under the Notes.

We may be unable to repay the Notes at maturity.

At maturity, the entire outstanding principal amount of the Notes, together with accrued and unpaid interest, will become due and payable. We may not have the funds to fulfill these obligations or the ability to refinance these obligations. If the maturity date occurs at a time when other arrangements prohibit us from repaying the Notes, we would try to obtain waivers of such prohibitions from the lenders and holders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. In these circumstances, if we cannot obtain such waivers or refinance these borrowings, we would be unable to repay the Notes.

We may elect to redeem the Notes prior to their maturity.

Pursuant to terms of the Notes, we may elect to redeem the Notes prior to their maturity in whole or in part at the price specified in the section entitled "*Description of the Notes Optional Redemption*". The date on which we elect to redeem the Notes may not accord with the preference of particular noteholders. In addition, a holder of Notes may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Notes.

The ratings assigned to the Notes may be lowered or withdrawn. A downgrade in our credit ratings or the rating assigned to the Notes may adversely affect our ability to access capital.

We expect the Notes to be rated BB by Standard and Poor's Ratings Services and Ba3 by Moody's Investors Service as of the date of this offering memorandum. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. Additionally, other nationally recognized statistical ratings organizations may issue an unsolicited rating. If any such unsolicited ratings are issued, we cannot assure you that they will not be different from those ratings assigned by Moody's Investors Service or Standard and Poor's Ratings Services. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes or the issuance of different unsolicited ratings with respect of the Notes may adversely affect the market price of the Notes.

On 26 November 2024, Standard and Poor's Ratings Services maintained our long-term issuer credit rating as "BB" and the issue rating on the 2026 Notes as "BB" and lowered the outlook of our long-term issuer credit rating from stable to negative. The revised outlook was because the Company has deleveraged slower than Standard and Poor's Ratings Services expected, and the Company's liquidity buffer has narrowed. Similarly, on 6 December 2024, Moody's Investors Service affirmed our corporate family rating and the issue rating on the 2026 Notes as "Ba3" and lowered the outlook of our corporate family rating from stable to negative. The revised outlook reflects Moody's Investors Service's expectation of continued challenges for the Group's IMF business due to competition in mainland China, resulting in weak credit metrics for 2024.

In Australia, credit ratings are for distribution only to a person who: (i) is not a "retail client" within the meaning of section 761G of the Australian Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Australian Corporations Act; and (ii) is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this offering memorandum and anyone who receives this offering memorandum must not distribute it to any person who is not entitled to receive it.

A trading market for the Notes may not be maintained.

Although application will be made to the SEHK for listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum, we cannot assure you that we will be able to obtain or maintain listing of the Notes on the SEHK, or that a liquid trading market will be maintained. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. We cannot predict whether an active trading market for the Notes will be sustained.

The Notes could trade at prices that may be lower than the initial offering price. Future trading prices of the Notes will depend on many factors, including, but not limited to:

- prevailing interest rates and interest rate volatility;
- the market for similar securities;
- our operating and financial results;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- the market price of the Notes; or
- changes in our industry and competition and general market and economic conditions.

Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes and Noteholders may not be able to sell their Notes at an attractive price or at all and may incur losses on their investments.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this offering memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolio. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Changes in our revenue, earnings and cash flow and proposals of new investments, strategic alliances or acquisitions, interest rates, changes in our industry, government regulations applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. We cannot assure you that these developments will not occur in the future.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. Furthermore, we will be subject to reporting obligations in respect of the Notes to be listed on the SEHK. The disclosure standards imposed by the SEHK may be different than those imposed by securities exchanges in other countries or regions such as the United States.

In addition, the financial information in this offering memorandum has been prepared in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other generally accepted accounting principles, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between IFRS and other generally accepted accounting principles. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between IFRS and other generally accepted accounting principles and how those differences might affect the financial information contained in this offering memorandum.

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries, joint ventures in which we may hold a minority interest and other third parties.

We may from time to time make minority investments in Unrestricted Subsidiaries, joint ventures or other third parties (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures or third parties may or may not be Restricted Subsidiaries under the Indenture. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries, minority joint ventures or third parties, these restrictions are subject to a number of important exceptions and qualifications, including with respect to related parties. See the "*Limitation on Restricted Payments*" covenant and the definition of "*Permitted Investments*" in "*Description of the Notes*" contained in this offering memorandum. As of the date of the Indenture, all of our subsidiaries will be Restricted Subsidiaries and we will not have any Unrestricted Subsidiaries.

Certain transactions that constitute "connected transactions" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") will not be subject to the "Limitation on transactions with shareholders and affiliates" covenant in the Indenture.

Our shares are listed on the SEHK and we are required to comply with the Listing Rules, which provide, among other things, that any transaction between a listed company or any of our subsidiaries, on the one hand, and a "connected person" of such listed company, on the other hand, is a "connected transaction" that, if the value of such transaction exceeds the applicable *de minimis* thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of "connected person" to a listed company includes (among a range of other individuals and entities, such as directors, chief executives, or certain former directors) any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of "connected person" also captures "associates", which include, among others, (a) any subsidiary of such "connected person", (b) any holding company of such "connected person" and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The "*Limitation on Transactions with Shareholders and Affiliates*" covenant contained in the Indenture only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (a) any holder (or any Affiliate of such holder) of 10% or more of any class of our Capital Stock or (b) any Affiliate of the Company involving aggregate value in excess of USD1.0 million on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, may not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules are subject to the independent shareholders' requirement under the Listing Rules. As a result, if such transactions are not captured by the covenant, we will not be required by the terms of the Indenture governing the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor in the Notes should consult its legal advisors to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Enforcing your rights as a holder of the Notes or under the Subsidiary Guarantees or the Collateral across multiple jurisdictions may be difficult.

The Notes will be issued by the Company, which is incorporated under the laws of the Cayman Islands, and guaranteed by the initial Subsidiary Guarantors, which are incorporated under the laws of the Cayman Islands, the British Virgin Islands, Hong Kong and Australia. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions and in the jurisdiction of organization of any future Subsidiary Guarantor of the Notes and in the jurisdiction where the security assets are located. Your rights under the Notes, the Subsidiary Guarantees and the Collateral granted will thus be subject to the laws of several jurisdictions, and you may not be able to enforce your rights effectively in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights.

In addition, the bankruptcy, insolvency, administrative and other laws of the respective Subsidiary Guarantors' jurisdictions of incorporation may be materially different from, or in conflict with, one another and those of the United States in certain areas, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Subsidiary Guarantees and the Collateral.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Notes are familiar.

As we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. We conduct a substantive amount of our business operations through PRC-incorporated entities in China. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Notes are familiar. For further information see "*Limitations on validity and enforceability of the guarantees and security interests and certain insolvency law considerations*".

Australian insolvency laws may impair the enforcement of remedies under the Notes.

Insolvency proceedings in relation to the Australian subsidiaries (including the Australian Subsidiary Guarantors of the Notes) will be governed by Australian insolvency laws, including but not limited to, the insolvency regime set out in the Australian Corporations Act. Australian insolvency laws differ from the insolvency laws of the United States and certain other jurisdictions.

In particular, the voluntary administration procedure under Chapter 5 of the Australian Corporations Act provides for potential reorganization of an insolvent company pursuant to a deed of company arrangement, which differs significantly from Chapter 11 of the US Bankruptcy Code. Accordingly, if the Australian subsidiaries (including the Australian Subsidiary Guarantors of the Notes) were to become insolvent, the treatment and ranking of holders of the Notes, their other creditors and shareholders under Australian insolvency law may be different from the treatment and ranking of those parties if the insolvency proceedings were subject to the bankruptcy laws of the United States or certain other jurisdictions. For further information see "*Limitations on validity and enforceability of the guarantees and security interests and certain insolvency law considerations*".

The ability to claim under any Subsidiary Guarantee following the insolvency of a Subsidiary Guarantor incorporated in Australia may be materially adversely affected by Australian insolvency laws.

Certain Subsidiary Guarantors are organized under the laws of Australia and, therefore, insolvency proceedings with respect to such Subsidiary Guarantors would likely proceed under, and be governed by, Australian insolvency law, including, but not limited to, the Australian Corporations Act.

Under Australian insolvency law, if an order to wind up were made against any of the Australian Subsidiary Guarantors and a liquidator was appointed, the liquidator would have the power, among other things, to investigate the validity of past transactions, including guarantees given in relation to the obligations of others, and may seek various court orders, including orders for the repayment of money and to void certain transactions entered into prior to the winding up of the relevant Australian Subsidiary Guarantor. Such transactions may include, without limitation, transactions entered into within specified periods prior to the winding up that a court considers uncommercial or transactions entered into within specified periods prior to the winding up that had the effect of preferring a creditor or creditors or otherwise defeating, delaying or interfering with the rights of other creditors.

Furthermore, laws in the nature of fraudulent conveyance laws, equitable subordination principles and other similar provisions and principles have been enacted or exist for the protection of creditors in Australia under which a Subsidiary Guarantee may be set aside, subordinated or otherwise avoided, including as a result of the application of laws in relation to the duties of directors to act in good faith and for proper purposes.

To the extent that any of the Subsidiary Guarantees are voided or otherwise held to be voidable or unenforceable, any direct claims against an Australian Subsidiary Guarantor could be lost or limited, and the payments previously received from that the Australian Subsidiary Guarantor under such Subsidiary Guarantee may be required to be returned. For further information see "*Limitations on validity and enforceability of the guarantees and security interests and certain insolvency law considerations*".

Noteholders' ability to enforce certain rights in connection with the Notes may be limited or affected by reforms to Australian insolvency legislation relating to "ipso facto" rights.

On 18 September 2017, the Treasury Laws Amendment (2017 Enterprise Incentives No. 2) Act 2017 of Australia was enacted in Australia. The legislation provides for a stay on enforcement of certain rights arising under a contract (such as a right entitling a creditor to terminate the contract or to accelerate payments or providing for automatic acceleration) for a certain period of time (and in some cases indefinitely), if the reason for enforcement is the occurrence of certain events relating to specified insolvency proceedings, namely the appointment of an administrator or managing controller (receiver) or an application for a scheme of arrangement, or the company's financial position during those proceedings (known as "*ipso facto*" rights). The specified proceedings do not include a winding up or liquidation (although if a liquidation immediately follows out of an administration, the stay continues to apply in the liquidation insofar as concerns rights exercisable due to the initial appointment of the administrator).

The operation of the legislation introducing the stay commenced on 1 July 2018. The stay applies to *ipso facto* rights arising under contracts, agreements or arrangements entered into after the commencement date of the legislation, subject to certain exclusions. Rights exercised with the consent of the relevant administrator, receiver, scheme administrator or liquidator and the right to appoint controllers during the decision period following the appointment of administrators are excluded and rights prescribed by regulations or Ministerial declarations may also be excluded. Such subordinate legislation may also prescribe additional reasons for application of the stay on enforcement, or for extending the stay indefinitely. The legislation also gives the Federal Court of Australia the power to broaden or narrow the scope and duration of the stay.

Following a consultation period, on 21 June 2018 the Australia Government released the Corporations Amendment (Stay on Enforcing Certain Rights) Regulations 2018, which set out certain prescribed types of contracts and contractual rights which will be excluded from the stay. The Regulations commenced on 1 July 2018 and applied from that date. The Regulations provide that "a contract, agreement or arrangement that is, or governs, securities, financial products, bonds" is exempted from the stay. Accordingly, investors may conclude that the Notes may not be subject to the stay provisions. However, as the Regulations are new and have not been authoritatively considered by Australian courts, and as the Regulations do not include definitions of many of the terms used, their effect on any securities issued after the commencement date of the legislation remains uncertain. Investors should seek independent legal advice on the implications (if any) of these laws and regulations on their investment in the Notes.

The Notes will initially be held in book-entry form, and therefore, you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in

very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the paying agent, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

We may not be able to finance a change of control offer required by the Indenture.

Upon a Change of Control, as defined under the Indenture, you will have the right to require us to offer to purchase all of the Notes then outstanding at a price equal to 101.0% of the principal amount of the Notes, *plus* accrued interest. In order to obtain sufficient funds to pay the purchase price of the outstanding Notes, we expect that we would have to refinance the Notes. We cannot assure you that we would be able to refinance the Notes on reasonable terms, if at all. Our failure to offer to purchase all outstanding Notes or to purchase all validly tendered Notes would be an event of default under the indenture. Such an event of default may cause the acceleration of our other debt, including debt under the facility agreements governing the Senior Facilities and the 2026 Notes Indenture. Our future debt also may contain restrictions on repayment requirements with respect to specified events or transactions that result in a Change of Control under the Indenture. Certain important corporate events, such as leveraged recapitalizations, may not, under the Indenture governing the Notes, result in a "Change of Control" that would require us to repurchase the Notes, notwithstanding the fact that such corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the Notes. See "*Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event*".

Each of our Controlling Shareholders, Mr. Luo Fei and Mr. Luo Yun (see "*Principal Shareholders*"), is a Permitted Holder as defined in the "*Description of the Notes*".

USE OF PROCEEDS

The gross proceeds of the offering of the Notes pursuant to this offering will be approximately USD294.98 million.

The net proceeds from the issuance of the Notes being the gross proceeds after deducting underwriting discounts, compensation payable to the Initial Purchasers in connection with the offering and other fees and expenses, are expected to be applied for refinancing of the Company's existing indebtedness including funding the repayment of the 2026 Notes together with the accrued interests, through the Concurrent Tender Offer announced by the Company on 13 January 2025.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as at 30 June 2024, (a) on an actual basis, and (b) as adjusted to give effect to (i) the Offering of the Notes, but not taking into account the deduction of underwriting discounts and other fees and expenses in connection with the Offering of the Notes, (ii) the drawdown of an aggregate amount of RMB350 million under the RMB Loan Facilities, RMB1,090 million under the Zinc Facilities and USD540 million under the Omega Term Facilities since 30 June 2024, and (iii) the repayment of USD749 million under the Senior Term Facilities since 30 June 2024, and for avoidance of doubt, does not give effect to the Concurrent Tender Offer. If the Concurrent Tender Offer is consummated, the outstanding principal amount of the senior notes will decrease. See "*Use of Proceeds*", "*Summary — Recent Developments*" and "*Description of Certain Financing Arrangements*". The "as adjusted" information below is illustrative only.

The following table should be read in conjunction with "*Summary consolidated financial and other data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Use of Proceeds*" and the financial statements and notes thereto included elsewhere in this offering memorandum.

	Actual		As adjusted[1]	
	(RMB)	(USD)	(RMB)	(USD)
		(in millions)		
Cash and cash equivalents[2]	2,379.1	327.4	4,480.5	616.5
Restricted deposits for operating leases	0.9	0.1	0.9	0.1
Restricted deposits for operating activity of a subsidiary	6.5	0.9	6.5	0.9
Short-term borrowings:				
Senior notes	152.1	20.9	152.1	20.9
Lease liabilities	30.1	4.1	30.1	4.1
Interest-bearing bank loans and other borrowings	5,555.0	764.4	111.9	15.4
Long-term borrowings:				
Interest-bearing bank loans and other borrowings	1,835.4	252.6	7,199.7	990.7
Lease liabilities	58.9	8.1	58.9	8.1
Senior notes[3]	1,960.5	269.8	1,960.5	269.8
Notes to be issued[4]	–	–	2,180.2	300.0
Total borrowings[5]	**9,592.0**	**1,319.9**	**11,693.4**	**1,609.0**
Total net borrowings[6]	**7,205.5**	**991.5**	**7,205.5**	**991.5**
Total equity[7]	**6,459.8**	**888.9**	**6,459.8**	**888.9**
Total capitalization[8]	**16,051.8**	**2,208.8**	**18,153.2**	**2,497.9**

(1) As adjusted represents (i) the Offering of the Notes of USD300 million not taking into account the payment or deduction of underwriting discounts and other fees and expenses in connection with the Offering of the Notes and, (ii) the drawdown of an aggregate amount of RMB350 million under the RMB Loan Facilities, RMB1,090 million under the Zinc Facilities and USD540 million under the Omega Term Facilities since 30 June 2024, not taking into account the amortised transaction costs and accrued interests, and (iii) the repayment of USD749 million under the Senior Term Facilities since 30 June 2024, not taking into account the amortised transaction costs and accrued interests. See "*Use of Proceeds*", "*Summary — Recent Developments*" and "*Description of Certain Financing Arrangements*".

(2) Represents cash and bank balances.

(3) The senior notes does not give effect to the Concurrent Tender Offer. We intend to finance the Concurrent Tender Offer with the net proceeds from the Offering of the Notes. As a result, if the Concurrent Tender Offer is consummated, the outstanding principal amount of the senior notes will decrease.

(4) Represents USD300 million in aggregate principal amount of Notes offered hereby, but not taking into account the payment or deduction of underwriting discounts and other fees and expenses in connection with the new issuance of the Notes.

(5) Represents total short-term borrowings and total long-term borrowings.

(6) Represents total borrowings less cash and cash equivalents, restricted deposits for leases and restricted deposits for operating activity of a subsidiary.

(7) Represents equity attributable to owners of the Company.

(8) Represents total borrowings *plus* total equity.

Other than as disclosed above and in this offering memorandum, there have been no material changes in the Company's capitalization or indebtedness since 30 June 2024. See "*Summary — Recent Developments*".

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth our selected consolidated financial information as of and for the dates and periods indicated.

The selected financial data as of and for the six months ended 30 June 2023 and 2024 has been derived from the Unaudited Interim Condensed Consolidated Financial Statements. The Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with IFRS and are included elsewhere in this offering memorandum. The selected financial data included in this offering memorandum as of and for the years ended 31 December 2021, 2022 and 2023 has been derived from the Audited Consolidated Financial Statements. The Audited Consolidated Financial Statements have been prepared in accordance with IFRS and are included elsewhere in this offering memorandum.

This information should be read in conjunction with our Consolidated Financial Information and the accompanying notes thereto appearing elsewhere in this offering memorandum as well as the other financial information included in this offering memorandum.

Summary consolidated statements of profit or loss and other comprehensive income of the Company

	For the year ended 31 December				For the six months ended 30 June		
IFRS	**2021**	**2022**	**2023**		**2023**	**2024**	
				(in millions)			
	(RMB)	**(RMB)**	**(RMB)**	**(USD)**	**(RMB)**	**(RMB)**	**(USD)**
					(Unaudited)	**(Unaudited)**	
Revenue	11,547.8	12,775.9	13,926.5	1,916.4	6,980.8	6,692.1	920.9
Cost of sales	(4,299.8)	(5,072.4)	(5,632.2)	(775.0)	(2,718.4)	(2,619.8)	(360.5)
Gross profit	**7,248.0**	**7,703.5**	**8,294.3**	**1141.3**	**4,262.4**	**4,072.3**	**560.4**
Other income and gains	108.4	219.8	214.6	29.5	156.5	118.2	16.3
Selling and distribution costs	(4,971.9)	(5,235.2)	(5,599.7)	(770.5)	(2,641.1)	(2,653.8)	(365.2)
Administrative expenses	(695.7)	(727.7)	(848.5)	(116.8)	(412.4)	(405.9)	(55.9)
Other expenses	(554.3)	(382.2)	(336.4)	(46.3)	(104.1)	(161.0)	(22.2)
Finance costs	(285.1)	(525.7)	(773.5)	(106.4)	(358.0)	(433.3)	(59.6)
Share of profits/(losses) of associates	0.9	(21.6)	(17.2)	(2.4)	(0.1)	(12.7)	(1.7)
Profit before tax	**850.2**	**1,030.9**	**933.6**	**128.5**	**903.2**	**523.9**	**72.1**
Income tax expense	(341.7)	(419.1)	(351.8)	(48.4)	(295.1)	(218.1)	(30.0)
Profit for the year/period	**508.5**	**611.8**	**581.8**	**80.1**	**608.0**	**305.8**	**42.1**

Summary consolidated statements of financial position data

	As of 31 December				As of 30 June	
IFRS	**2021**	**2022**	**2023**		**2024**	
				(in millions)		
	(RMB)	**(RMB)**	**(RMB)**	**(USD)**	**(RMB)**	**(USD)**
					(Unaudited)	
Cash and cash equivalents	2,400.1	2,303.7	1,364.3	187.7	2,379.1	327.4
Total assets	20,281.7	20,963.0	20,042.0	2,757.9	20,332.4	2,797.8
Total liabilities	14,396.6	14,821.2	13,746.7	1,891.6	13,872.6	1,908.9
Equity attributable to the owners of the parent	5,885.2	6,141.9	6,295.3	866.3	6,459.8	888.9

Summary consolidated statements of cash flows data

	For the year ended 31 December				For the six months ended 30 June		
IFRS	**2021**	**2022**	**2023**		**2023**	**2024**	
				(in millions)			
	(RMB)	**(RMB)**	**(RMB)**	**(USD)**	**(RMB)**	**(RMB)**	**(USD)**
					(Unaudited)	**(Unaudited)**	
Net cash flows from operating activities	1,890.1	1,469.3	1,096.8	150.9	22.1	1,052.5	144.8
Net cash flows from/(used in) investing activities	(4,010.6)	(104.9)	(52.1)	(7.2)	(19.3)	8.4	1.2
Net cash flows (used in)/from financing activities	2,768.4	(1,489.8)	(1,994.6)	(274.5)	(205.7)	(86.7)	(11.9)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial information for H&H together with the accompanying notes included elsewhere in this offering memorandum. The consolidated financial statements of H&H were prepared in accordance with IFRS.

This section includes forward-looking statements that involve risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. All statements, other than statements of historical facts, included in this section that address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyzes we made in light of experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. For a discussion of some of those risks and uncertainties, refer to the sections titled "Forward-looking statements" and "Risk Factors".

Overview

We are an all-round premium nutrition and wellness provider for the entire family. We provide high-end adult, pediatric and pet nutrition and care products through our seven major brands — Swisse™, Biostime™, Zesty Paws™, Solid Gold™, Dodie™, Good Goût™ and Aurelia™ and have established market positions in China, Australia, New Zealand, the United States, France, Italy, Hong Kong, Thailand, Malaysia, the United Kingdom and increasing market recognition in other international markets.

We are committed to providing high-end, scientific nutrition and health solutions for the whole family. Adhering to the mission of making people healthier and happier, we are committed to become a global leader in premium nutrition and wellness through our premium products and aspirational brand. Our business operations consist of three strategic segments: (i) adult nutrition and care which comprises the distribution of vitamins, health supplements, skin care and sports nutrition products for adults; (ii) baby nutrition and care, divided into three sub segments — infant formulas for children under seven years old and milk formulas for expectant and nursing mothers, probiotic supplements in the form of sachets, capsules and tablets for infants, children and expectant mothers, and other pediatric products; and (iii) pet nutrition and care which comprises the production of food and health supplements for pets.

We sell our adult nutrition and care products, under our Swisse™ and Aurelia™ brands which are sold globally, but principally in Australia, New Zealand, China, Italy, Hong Kong SAR, Singapore, Thailand, Malaysia and the United Kingdom. Biostime™, Dodie™ and Good Goût™ are the principal brands under which we currently sell our infant formula products and probiotic supplements, which are principally sold in China, France, Australia and Hong Kong. Zesty Paws™ and Solid Gold™ are the principal brands under which we currently sell our pet nutritional supplements and pet food products primarily in the United States and China.

For the years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2023 and 2024, we generated revenue of RMB11,547.8 million, RMB12,775.9 million, RMB13,926.5 million (USD1,916.4 million), RMB6,980.8 million and RMB6,692.1 million (USD920.9 million), respectively, and gross profit of RMB7,248.0 million, RMB7,703.5 million, RMB8,294.3 million (USD1,141.3 million), RMB4,262.4 million and RMB4,072.3 million (USD560.4 million), respectively.

Recent Developments

Our total revenue for the Relevant Period decreased as compared with the corresponding period in 2023. This was primarily due to a decline in IMF sales. This decline reflects ongoing industry challenges in the

IMF category in China and the longer than expected time required to complete the entire transition cycle for our new 'GB' series in China. Despite these challenges, we continued to grow our market share, our key focus market, the super-premium IMF segment. According to market data for the twelve months ended September 2024 by Nielsen, our market share increase from 11.8% to 13.1% and reaching 14.0% in the month of September 2024. Total revenue of our ANC segment for the nine months ended 30 September 2024 increased as compared with the corresponding period in 2023. This was mainly driven by healthy growth momentum in China, Australia and New Zealand and other expansion markets. We maintain our No.1 position in Australia, aim to continue gaining market share and strengthening our leadership position domestically. In Asia and Europe, our focus is on driving higher growth and improving profitability. Total revenue of our PNC segment for the nine months ended 30 September 2024 increased as compared with the corresponding period in 2023. This was mainly attributable to on-track double digit growth of Zesty Paws in North America despite the decline of Solid Gold's pet food sales amid its ongoing channel optimisation and portfolio premiumisation.

Revenue from China, our largest market, decreased on a year-on-year basis led by a low double-digit revenue decline in our PNC business, partially offset by mid-to-high single digit growth in our ANC segment and a double-digit revenue decline in our BNC business. Growth of our ANC segment sales was driven by consumer demand for beauty, multi-vitamins and detox products, as well as the continued strong growth of innovative categories such as the Swisse Plus+ range. Sales in the cross-border e-commerce ("**CBEC**") channel contributed the majority of our China ANC revenue and grew by mid-to-high single digit, supported by the launch of more innovative categories, continued consumer education and effective marketing. In the normal trade channel, sales grew modestly as the offline market continued to face reduced foot traffic and sector-wide challenges across the supplements category within the pharmacy channel, partially offset by the moderate growth of the online normal trade market. Swisse maintained its No. 1 position in the China online VHMS market, according to Early Data and its No. 2 brand position in the overall VHMS market, according to Kantar Worldpanel.

We continued to capitalize on increasing consumer segmentation and penetration through our focused mega-brand strategy to cater to more diverse consumers. Notably, Swisse Plus+, with its higher profitability, made a double-digit contribution to total ANC revenue in China for the Relevant Period.

Revenue attributed to our BNC segment was impacted by the ongoing industry challenges in the super-premium IMF segment in China and the time required to complete the entire transition cycle for our new 'GB' series, including depleting our old 'GB' IMF products, replacing our Pi- Star Flagship series, introduction the new Pi-Star sub-series, and increased efforts to acquire new customers.

Despite the ongoing challenges, we continued advancing our strategy to grow market share, securing the No. 3 position in the overall super-premium IMF segment in China, with rising market share according to Nielsen. Following the launch of our new Pi-Star sub-series, the market share of our Pi Star Family rebounded to a similar level of market share as prior to New 'GB' transition in the baby specialty store channel in September according to Nielsen. Additionally, since the full launch of the new 'GB' series at the end of the first quarter of 2024, despite the one-off related costs incurred, our Biostime IMF saw encouraging new customer acquisition and brand awareness gains. Keyword searches among target customers on platforms like Little Red Book and Douyin have increased notably since the second quarter of 2024, particularly among those seeking IMF recommendations for early-stage products. On e-commerce channels, search volume for our Biostime early-stage IMF increased significantly in the third quarter as compared to first quarter in 2024, outperforming the industry average.

During the Relevant Period, sales of our high-margin pediatric probiotic and nutritional supplements declined as compared to the nine months ended 30 September 2023 due to a high base and continued lower traffic and sector-wide challenges across the supplements business within the pharmacy channel. Within this category, sales of pediatric probiotics declined while sales of pediatric nutritional supplements grew significantly, driven by increasing demand for pediatric nutritional supplements,

including for our innovative products such as Lactoferrin, Lutein gummies, DHA and calcium that support the physical and mental well-being of children. Additionally, we launched innovative pediatric probiotic products tailored for health needs beyond gut health, such as nasal allergy, helping to maintain Biostime's leading position in pediatric probiotics in China.

Sales in our PNC segment in China decreased for the Relevant Period as compared to the nine months ended 30 September 2023 as we continued to premiumize the brand through channel optimisation, pet food portfolio uplift, and reallocate resources into fast growing pet supplement categories with higher margins to improve profitability. According to SmartPath, Solid Gold ranked No.2 in China's online premium dry cat food category for the twelve months ended June 2024 amid its shifting product focus. We have made steady progress in this process, with new high-margin pet food and supplement products reaching double digit contribution to our total PNC revenue in China.

We remain dedicated to driving the growth of our high-margin, fast growing nutritional supplements across our regions. In China, we expect healthy and sustainable growth in our ANC business with Swisse maintaining its No. 1 position in the online market and gain further market share in the overall market. Regarding our BNC business, we expect its performance will continue to be under pressure primarily due to the ongoing challenges in our IMF business and pediatric probiotics business for the full year of 2024, despite the moderate offset from growth of our pediatric nutritional supplements. While the decline of the overall super-premium IMF segment in China is expected to narrow gradually, we plan to remain focused on acquiring new consumers and improving channel distribution with Pi- Star Flagship series and channel-tailored sub series. Solid Gold's performance in China will continue to be impacted by its ongoing restructuring which is focused on premiumisation and channel optimisation. In the ANZ market, we plan to maintain a steady rate of growth as the market continues to normalize. Our sales will be driven in part by two key innovations: a first-to-market Nootropics range for cognitive health, and a Smart Melts range, offering convenient, dissolvable formats targeting stress, sleep, energy and detox. We also plan to launch the second year of our award-winning 'Go the Swisse to Sleep' marketing campaign, to further solidify our leadership in the 'Sleep' category. In North America, our growth trajectory remains on track, led by Zesty Paws which is continuing to pursue expansion opportunities in not only North America but also the UK, Europe, ANZ and Asia. Meanwhile, the short-term performance of Solid Gold will continue to be impacted by the continued optimization of its product portfolio and channels in North America, with the reorganization of the business scheduled to be completed by the end of 2024.

As of 30 September 2024, we maintained a stable level of liquidity, reflecting our dedication to maintaining a healthy level of cash conversion. We also completed major refinancing exercises planned for 2024. Since the beginning of 2024, we have taken several important steps to diversify our sources of funding and optimize our capital structure. These efforts included completing the issuance of the RMB Bonds of RMB500 million and USD120,200,000 of additional 2026 Notes, and entering a CNH term loan facility equivalent to USD150 million under the Zinc Facilities. On 13 November 2024, we completed a new USD540 million term loan drawdown under the Omega Facilities, which is a sustainability-linked term loan facility, and fully prepaid the Senior Term Facilities, marking the completion of our major refinancing initiatives for 2024. Upon prepayment, the remaining capitalized transaction costs associated with the Senior Term Facilities have been written off on a non-cash basis. For more information, see *"Description of Certain Financing Arrangements"*.

On 1 October 2024, we undertook the first scheduled alternation of CEO of the Group, a position that was formerly held by Mr. Akash Bedi, regional CEO of North America, Europe, Middle East and India, who sits alongside the chairman, the chief financial and operating officer and the chief people officer in the Group's CEO Office. Mr. Nicholas Russell Lamande Mann, regional CEO of Asia, Australia and New Zealand has rotated into the CEO position of the Group for a period of nine months. Since 1 December 2024, we have decentralized our global innovation, research, and quality control functions. The role of Group Chief Technology Officer has been replaced by a Director of Innovation and Research in each region, who reports to the respective regional CEOs. Additionally, the quality leads also now report directly to the respective regional CEOs. For more information, see "*Management*".

Key factors affecting our results of operations

We believe that the following factors, among others, have had and will continue to have a material effect on our results of operations and financial conditions. As many of these factors are beyond our control and a number of these factors have historically been volatile, past performance will not necessarily be indicative of future performance and it is difficult to predict future performance with any degree of certainty. In addition, important factors that could cause our actual results of operations or financial condition to differ materially from those expressed or implied below include, but are not limited to, factors indicated in this offering memorandum under the section titled "*Risk factors*".

Regulation

Our business is subject to, and significantly affected by, laws and regulations in China and Australia, and to a lesser extent in other countries around the world. In China, the regulations governing our products have been evolving and the regulatory framework can be uncertain due to limited guidance. These regulatory frameworks can have a significant impact on our results of operations.

The regulatory environment in China, including the GB standards for IMF products, new review rules for production permit of IMF products, CBEC regulations, and filing and registration procedures for healthcare products, became clearer in recent years.

On 22 February 2021, the NHC and SAMR jointly promulgated the GB standards, which are expected to increase barriers to entry to the IMF market in China. On 23 March 2021, SAMR issued the Notice to the Matters Relating to the Registration of Infant Formula Milk Powder《關於嬰幼兒配方乳粉產品配方註冊有關事宜的公告》, which specifies that manufacturers are encouraged to register IMF products recipe according to the GB standards in 2-year transition period from 22 February 2021 to 22 February 2023. Since 22 March 2023, all manufacturers are required to organize production in accordance with the product formula registered pursuant to the GB standards, whereas IMF players who had not registered IMF formula according to the GB standards with the SAMR are no longer eligible to sell additional IMF products in China's normal trade market once existing stocks are depleted. These regulatory changes led to de-stocking from distributors and increased pricing competition in the mid-to-low end segment. In order to comply with the GB standards for IMF products, we and our IMF suppliers have submitted "GB standards" applications for all eight IMF series in China. We have already received approvals for 合生元貝塔星耀 (Biostime β-star Shine) series, 合生元派星 (Biostime π-star) series, 愛斯時光 (Healthy Times) series, 可貝思親呵 (KEBEISIQINHE) series, 合生元滿樂 (AERFAMANLE) series, 合生元派星天呵 (PAIXINGTIANHE) series, 合生元派星天護 (Biostime π-star tinwhole) series, 可貝思 (Cute Betty's) series (6-12 months, stage 2), and 可貝思 (Cute Betty's) series (12-36 months, stage 3). Before approvals for the remaining IMF series (i.e. Cute Betty's series (0-6 months, stage 1)) are obtained, our PRC subsidiaries would not be allowed to continue producing or importing products under these IMF series, but they can continue to sell out of the current stock. With major IMF players stepping up their investment in branding and marketing initiatives, we expect that the overall IMF market will remain competitive.

On 23 May 2019, the NDRC also promulgated the NDRC Action Plan, which stipulates the implementation of (1) "quality upgrading actions" to continuously strengthen product quality assurance, (2) "industry upgrading actions" to continuously enhance products' market competitiveness and (3) "brand cultivation actions" to substantially promote the reputation of domestic milk powder products. Under the NDRC Action Plan, (1) the registration administration of foreign infant milk power producers shall be reinforced, (2) the filing system and sales recording system shall be strictly implemented to importing agents, (3) the subpackaging of imported large package of infant formula milk powder and the importing of unregistered infant formula milk powder products shall be strictly forbidden, and (4) cross-border e-commerce enterprises shall be responsible for food quality safety.

On 14 December 2022, the SAMR promulgated the Rules for the Review of Production Permit of Infant Formula Milk Powder (2022 version)《嬰幼兒配方乳粉生產許可審查細則(2022)版》(the "**2022 Review Rules**"), which repealed the Rules for the Review of Production Permit of Infant Formula Milk Powder (2013 version)《嬰幼兒配方乳粉生產許可審查細則(2013版)》. The 2022 Review Rules strictly regulates the conditions for production license of IMF products in respect of production site, equipment and facilities, equipment layout and process flow, personnel management, management system, in order to further strengthen the IMF production license management, and to effectively protect the health and life of infants and young children.

Within the adult nutrition and care segment, e-commerce laws in China targeting daigou-related channels, which were first announced in August 2018 and came into force on 1 January 2019, require all online merchants, including daigou, to register with SAMR and file taxes with the Tax Bureau. While the implementation of this e-commerce law is assumed to benefit larger players operating within a more regulated environment, small-scale merchants and daigou operating without an appropriate license faced pressure to exit the market. As a result of the new e-commerce laws, many daigou traders reduced trading or exited the market, which had a dampening effect on our sales through daigou distribution channels. Nevertheless, we are committed to proactively positioning ourselves to be able to respond to the ever-changing environment through channel diversification that meets the demand of different consumer groups.

On 26 February 2016, the former CFDA issued the Measures for the Administration of the Registration and Filing of Health Food《保健食品註冊與備案管理辦法》("**Registration and Filing Measures**"), which came into effect on 1 July 2016 and was then amended by SAMR on 23 October 2020. The Registration and Filing Measures introduce a dual-track registration and filing system for health food. Under the Registration and Filing Measures, the registration system applies to health food: (i) made from ingredients not covered by the Health Food Ingredient Catalogue ("**Ingredient Catalogue**"); and (ii) imported into China for the first time (excluding nutritional supplements, such as vitamins and minerals). The filing system, which is newly adopted by the Registration and Filing Measures is applicable to health food: (i) made from ingredients covered by the Ingredient Catalogue; and (ii) containing nutritional supplements that are imported into China for the first time, on the condition that such nutrients should be substances included on the Ingredient Catalogue. Currently, the Group has obtained 17 product licenses for its health food products in order to offer a more complete range of food supplements in the country. Among them, six products were registered through the registration system and eleven products were filed through the filing system.

In the PNC segment, the Regulation on the Administration of Feed and Feed Additives (2017 Amended)《飼料和飼料添加劑管理條例(2017修訂)》("**Regulation on Feed and Feed Additives**") stipulates that an overseas pet feed production enterprise shall entrust its office or agent in China to apply for the registration with a competent department of Ministry of Agriculture and Rural Affairs in China ("**MoA**") and obtain the registered license before importing pet feed from the overseas manufactures into China. We have assisted our overseas pet feed manufacturers in applying for the registration and currently have obtained 43 registered licenses from MoA to meet the demands of our consumers in China.

For further information on our regulatory environment and the related risks that we face, see "*Regulation*" and "*Risk Factors — Risks relating to our businesses and industries*" and "*— Risks relating to conducting business in China*".

Competition and market position

Competition within the markets in which we operate is strong. The baby nutrition and care products market in China is expected to continue to grow driven by an increase in health awareness and rising disposable incomes. We face however significant competition from domestic and multinational competitors. A small number of multinational players enjoy a significant market share in China,

particularly in the more affluent major urban areas, due to a preference for branded goods deemed to be associated with higher quality among Chinese consumers. In addition, with the enforcement of the GB standards for IMF products, the implementation of the NDRC Action Plan and the promulgation of the 2022 Review Rules, we believe the entry barrier for the small players in China's infant formula market has increased. In addition, competition from Chinese competitors has become more intense in recent years due to the lower birth rate. Similarly, within the adult nutrition and care product market in China and Australia, we face significant competition from domestic and multinational competitors. We also expect to face significant competition new markets including for our pet nutrition and care products.

In order to compete in our markets, we focus on developing and marketing premium, proven, aspirational and engaging products for the baby, adult and pet nutrition and care product markets globally. A significant portion of the products that we offer are clinically tested and supported by research, and we believe that we generally offer our consumers a superior product proposition. For example, in 2021, Biostime became the first brand to launch infant milk formulas and infant supplements with advanced nutrient Human Milk Oligosaccharides ("**HMO**") in the Australian market. This formula, which is derived from research on breast milk, makes a breakthrough in combining the three essential nutrients in breast milk — HMO, LPN™ whey protein, and SN-2 PLUS™ optimized structured lipid. In 2021, we also launched our first nutraceutical range, Swisse Nutra+, now available in over 1,000 pharmacy-only-channels in Australia. In 2022, we launched Swisse Plus premium range catering to the needs of high-end Chinese consumers, featuring advanced scientifically proven NAD+ products through strategic partnership with ChromaDex as well as advanced liver detox and cholesterol protection supplements. According to Early Data, Swisse Plus was ranked No. 1 market share in the NAD+/NMN supplements and high-end thistle products on the e-commerce platforms for the twelve months ended 30 June 2024. In addition, Biostime has released ground-breaking research on goat milk LPN, which demonstrates the innovative and breakthrough results of Biostime's goat milk powder in terms of key immune-boosting ingredients.

We anticipate launching more new innovative product categories in different markets, including the Biostime expanded infant and kids supplements range including gummies, extended product offering under Swisse Plus, Zesty Paws™ Vet Strength Range and Solid Gold Premium Range leveraging on proven benefits of NutrientBoost and Biostime branded IMF formulations that use only plant derived ingredients.

We believe that launching products like HMO infant formula and Swisse NAD+ products is key to being able to retain a competitive advantage and maintain our brand position as a provider of products with superior quality that have been carefully developed based on scientific findings. For further information, see "*Business — Research, innovation and product development*".

By leveraging our superior product proposition, our focused marketing strategy, our brand names and our sales and marketing and distribution infrastructure, we have been able to compete and grow our market share. For further information, see "*Business — Distribution network and sales — Adult nutrition and care products*".

Sales of our products are subject to seasonality

The sales of our products are subject to seasonality due to consumer behavior. We generally experience higher sales in the second half due to increased purchases from distributors that seek to increase their inventory levels in advance of Chinese New Year as well as to meet their annual sales targets, since many distributors are closed for the Chinese New Year period, and as a result of global sales events, including key holidays in Australia and United States and online shopping events in China such as the "Singles Day" shopping event. We generally experience reduced sales in the first quarter due to low trading volume over the Chinese New Year and Australian summer holiday period. As a result, we can experience fluctuations in our product inventory levels and revenue throughout the year, however these are not anticipated and are not disruptive of normal trading conditions.

Brand investment and reputation

Our products occupy the premium segments of the adult and pediatric nutrition, baby care and pet nutrition and care product markets, therefore developing and maintaining the reputation of our brands and preserving customer loyalty while attracting new consumers are key elements of our strategy. Our marketing strategy focuses on efficiently building and maintaining brand awareness of products as well as targeted marketing to promote consumer interaction and retention.

To support growth in existing markets and expand into new markets, we invest in branding and marketing initiatives and focus on delivering our marketing philosophy centered around an aspirational lifestyle message across a variety of online and offline media platforms. These include television, print, outdoor advertising, digital media and other selected media channels such as social media platforms including Douyin, Little Red Book, WeChat, Instagram and Facebook.

In addition, we invest in other special events relating to our partnerships, including Tmall's Singles Day, for which Swisse™ brand was ranked No. 1 among overseas brands in 2023 and 2024. To reinforce our premium and aspirational brand image and boost brand exposure, we also appoint local influencers in key markets who help to promote our products.

Investment in our brands is a key component of reinforcing the relevance of our products, maximizing the benefit of our research and development ("**R&D**") efforts by educating consumers and converting brand awareness to purchase. Our brand marketing strategy underpins the performance of our business and contributes to growing retail sales and maintaining premium pricing. As we continue to develop and launch new products, investment in our brands is required to support the launch of new products or extensions or updates of existing products and, as a result, will be higher in periods in which such products are released. Efficiency is also an integral part of our marketing strategy. We have driven spending efficiency by moving away from fixed spending to activity-based spending, which allows us to invest in the most needed areas for marketing activities.

In addition to investment in our brands we further support the proven nature of our products through development and innovation, clinical trials and investment in product safety and quality.

In China, rising consumer wealth and health consciousness have contributed to a greater demand for higher-priced and premium branded products with perceived quality advantages associated with such products. Accordingly, we believe that our nutrition and care products, with a reputation for quality and safety, should be able to command higher average selling prices than those of our competitors whose products do not possess the same degree of brand recognition and perceived reputation for quality and safety as our products. Conversely, any decrease in consumer perceptions of quality and safety could adversely impact such producers' brand reputation and sales, even if the perception is from misinformation or disinformation. Moreover, an incident or incidents calling into question the quality and safety of any product could trigger wider negative perception of the decrease in the quality and safety of the products of producers generally, thereby affecting the market generally. For example, within the infant formula product segment, the melamine contamination incident in 2008 resulted in a significant reduction in the sales of a number of major dairy product companies in China. If an adverse incident involving any of our products should occur in the future, especially if our management fails to respond to such incident in a timely and effective manner, the reputation of our brands could be severely damaged, which could adversely affect our results of operations.

Product mix and pricing

The mix of products that we offer our consumers and their relative appeal to our consumers has a significant impact on our revenue, gross profit and gross profit margin and EBITDA and EBITDA margin. We regularly evaluate our product offerings in terms of their quality, branding, retail and wholesale price and consumer appeal.

Product mix affects margins, as different products may provide different margins depending on the market at a particular point in time. For example, we achieve higher margins on our super-premium tier infant formula products and our probiotics products than other product segments. If sales of our products with lower margins are faster growing and are expected to contribute an increasing portion to our revenue and profits, this would have a negative impact on our gross profit margins. The supplements segment is now the No. 1 revenue contributor to our business with the highest gross profit margin.

To meet market demand at different points of time, we may adjust the product mix within our product range, which could have an impact on our margins. For further information, see "*Business — Marketing*".

Channel mix

Our margins are impacted by the mix of product sales across our channels. We believe that we are able to maximize sales by engaging with our consumers across multiple channels, including in-store (through supermarkets, retail stores, baby specialty stores, pharmacies and pet specialty stores), online (including e-commerce platforms, mobile and tablet applications) and our consumer membership services channels. Our margins can be higher in certain sales channels, leading to a change in margins as a result of charges in channel mix.

E-commerce sales are also positively impacted by the presence of our products in stores, because we believe consumers are generally more likely to make online purchases if they have had the opportunity to view the product in-store. We believe the growth of our e-commerce platform will have a positive impact on in-store sales of our products by increasing footfall and generating cross-selling opportunities. Typically, our gross profit margins in the e-commerce channel are higher but our promotional costs are also higher in connection with these sales. For further information, see "*Business — Distribution network and sales*".

Supply chain

Our operations and financial position are impacted by the effectiveness of our product and raw material supply chain. As a significant portion of our products and raw materials are sourced globally, the speed, efficiency and effectiveness of our supply chain can impact our costs of sales, distribution costs and administrative expenses. We have taken steps to reduce our reliance on key suppliers and improve lead times in our supply network in order to support future volume growth, including by securing the supply of certain high-quality ingredients for some of our highest selling Swisse products.

All of our adult nutrition and care, baby nutrition and care and pet nutrition and care segments are subject to the supply and price volatility of the raw materials. Increases in the price of our raw materials may negatively impact our gross profit margins if we are not able to offset such price increases through increases in our selling price or changes to our product mix.

Our market position and the significant retail sales that we generate can also provide us with bargaining power with many of our suppliers and enable us to achieve operational and cost efficiencies across our supply chain. In order to secure improved supply chain efficiency and effectiveness, we have made selective minority acquisitions of, and investments in, some of our suppliers. For example, in order to ensure consistent supply of infant formula from Isigny Sainte Mère ("**ISM**"), one of our suppliers in France, we purchased a 20% interest in ISM in July 2013, and further increased our interest in ISM to 49.9% since September 2021. In March 2022, we also purchased a 10% interest in Arla Foods Arinco A/S ("**Arla**"), one of our suppliers in Denmark. For further information, see "*Business — Suppliers and manufacturing*".

Operational efficiencies

Our business performance is impacted by the operational efficiency of our activities and our ability to manage and contain costs. The largest elements of costs are the cost of materials, promotional and employee costs.

Our operating structure allows for new brands and business units to be integrated into the Group structure with limited investment.

In 2017, we commenced an integration process of all of our business units, consolidating our various premium nutrition and wellness businesses under the three major brands: Biostime™, Swisse™ and Dodie™ into two equally strategic business units: adult nutrition and care and baby nutrition and care, supported by centralized centers of excellence. By 31 December 2018, the reorganization and integration of these four brands was largely completed. The reorganization resulted in operating efficiencies, particularly in our supply chain through centralized procurement, distribution, marketing, research and innovation, finance, CRM, corporate culture and personnel capability. We have also completed the integration of Zesty Paws and Solid Gold in 2023. This integrated operating structure allows for new brands and business units to be integrated into the Group structure with limited investment.

Our strategy is to achieve integrated management, while investing in new resources to build the right capability for long-term sustainable growth. In particular, we leverage on Zesty Paws' capability and trade relationship to strengthen Solid Gold's distribution footprint, as well as brand and product development. This allows us to achieve, for example, the premiumization and category expansion of Solid Gold, as well as Solid Gold's Amazon model optimization. We also aim to strengthen our organization design and uplift certain existing roles to build the right capability to support our global expansion strategies for these two products. For instance, the sales and operations planning process has been implemented for more accurate planning. In addition, a centralized shared service center for these two products has also been established. On the technological front, we also achieved electronic data interchange integrations and application programming interface integrations with customers like Amazon and Shopify. Due to the sharing of resources and expertise, we can expand our product offering, distribution, product portfolio and integrate these new brands globally in an efficient manner whilst containing costs.

Currency exposure

The majority of our revenues are generated in Renminbi, Australian dollars and US dollars.

We have significant US dollar, Australian dollar and Hong Kong dollar denominated indebtedness. As we are required to pay interest and principal on such indebtedness in US dollar, Australian dollar and Hong Kong dollar, respectively, the Group enters into cross currency swap contracts to mitigate currency translation effects resulting from fluctuations in the US dollar exchange rates.

In addition, we source a significant portion of our products from businesses that operate primarily in Australia, Europe and United States. In sourcing our products from suppliers in Europe, we have significant exposure to the value of the Euro relative to the Renminbi. The Group enters into forward exchange contracts to mitigate currency exposure risk from fluctuations in the Renminbi/Euro exchange rates.

Our financial results have been, and in the future will be, subject to currency translation effects resulting from fluctuations in foreign currency against the Renminbi, as further described in "*— Quantitative and qualitative disclosures about market risks — Foreign currency risk*".

Explanation of key income statement items

Revenue

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. When the consideration in a contract includes a variable amount,

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

Our business operations consist of three strategic segments: (i) adult nutrition and care, which comprises the production of vitamins, health supplements, and skin care products for adults, (ii) baby nutrition and care, divided into three sub segments — infant formulas segment which comprises the production and sale of infant formulas for children under seven years old as well as milk formulas for expectant and nursing mothers, the pediatric probiotic and nutritional supplements segment which comprises the production and sale of pediatric probiotic and nutritional supplements in the form of sachets, capsules, gummies and tablets for infants, children and expectant mothers, and the other pediatric products segment which comprises the production and sale of baby care products, as well as (iii) pet nutrition and care which comprises the production and sale of holistic pet food and multi-condition pet supplements**.** See section "*Business — Revenue*" for commentary.

Cost of sales

Cost of sales consists primarily of direct costs incurred to manufacture and package our products, the value of the products sold, net of stock write-offs and foreign exchange fluctuations related to our purchasing of products. The costs of materials, including the costs of raw materials, finished products and packaging materials, were the main components of our cost of sales, representing 96.5%, 96.1%, 96.3%, 96.0% and 97.0%, respectively, of our total cost of sales in each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024.

Gross profit

Gross profit is calculated by subtracting the cost of goods sold from revenue. Gross profit margin is calculated as gross profit *divided by* revenue.

Other income and gains

Other income and gains primarily consist of interest from our interest-bearing bank deposits, interest from loans receivable and bonds receivable, PRC government fiscal subsidies (provided on a discretionary basis and determined by a number of criteria), gains on sales of raw materials, net foreign exchange gains and net fair value gains on derivative financial instruments.

Selling and Distribution Expenses

Selling and distribution expenses include costs relating to advertisements and marketing activities such as brand building, ambassador fees and other marketing campaigns through commercial advertisements in television and print as well as online through search engines, online sales platforms, video websites and online parenting forums. They also include costs relating to promotional activities such as promotional materials and service fees paid to external sales specialists who provide services relating to the sales and promotion of our products in selected pharmacies, supermarkets and baby specialty stores. In addition, they include staff costs and office expenses such as salaries and benefits for our sales and marketing personnel, travel expenses and rental relating to our regional sales offices.

Administrative expenses

Administrative expenses include salaries and benefits for our administrative and management staff, office expenses and rental, travel expenses for our staff, as well as expenses related to third-party professionals such as consultants, auditors, lawyers and tax advisors, along with other office-related and miscellaneous expenses.

Other expenses

Other expenses primarily consist of R&D costs, net foreign exchange losses and net fair-value losses on derivative financial instruments. Research costs are generally expensed as incurred. Product development expenditures which do not meet the criteria for capitalization are expensed as incurred. R&D costs include the costs of proprietary R&D efforts, as well as costs incurred in connection with third-party collaboration efforts and market research conducted for product development and improvement.

Finance costs

Finance costs include interest accrued on all indebtedness, including non-cash interest expenses.

Income tax expense

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which we and our subsidiaries are domiciled and operate. Our operations in China are currently taxed at a rate of 25% of taxable profits. Our tax in Australia is currently assessed at 30% of taxable profits. Hong Kong currently taxes 16.5% of the assessable profits arising in Hong Kong, 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 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Our tax in the United States is currently assessed at state and federal level at blended rate of 23.0% of taxable profits.

Our results of operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated statements of profit or loss and other comprehensive income contained in our Consolidated Financial Statements.

	For the year ended 31 December							For the six months ended 30 June				
IFRS	**2021**		**2022**		**2023**			**2023**		**2024**		
	Amount	**Percentage of total revenue**	**Amount**	**Percentage of total revenue**	**Amount**	**Amount**	**Percentage of total revenue**	**Amount**	**Percentage of total revenue**	**Amount**	**Amount**	**Percentage of total revenue**
	(in millions, except percentages)											
	(RMB)	**(%)**	**(RMB)**	**(%)**	**(RMB)**	**(USD)**	**(%)**	**(RMB)**	**(%)**	**(RMB)**	**(USD)**	**(%)**
Revenue	11,547.8	100.0	12,775.9	100.0	13,926.5	1,916.4	100.0	6,980.8	100.0	6,692.1	920.9	100.0
Cost of sales	(4,299.8)	(37.2)	(5,072.4)	(39.7)	(5,632.2)	(775.0)	(40.4)	(2,718.4)	(38.9)	(2,619.8)	(360.5)	(39.1)
Gross profit	**7,248.0**	**62.8**	**7,703.5**	**60.3**	**8,294.3**	**1,141.3**	**59.6**	**4,262.4**	**61.1**	**4,072.3**	**560.4**	**60.9**
Other income and gains	108.4	0.9	219.8	1.7	214.6	29.5	1.5	156.5	2.2	118.2	16.3	1.8
Selling and distribution expenses	(4,971.9)	(43.1)	(5,235.2)	(41.0)	(5,599.7)	(770.5)	(40.2)	(2,641.1)	(37.8)	(2,653.8)	(365.2)	(39.7)
Administrative expenses	(695.7)	(6.0)	(727.7)	(5.7)	(848.5)	(116.8)	(6.1)	(412.4)	(5.9)	(405.9)	(55.9)	(6.1)
Other expenses	(554.3)	(4.8)	(382.2)	(3.0)	(336.4)	(46.3)	(2.4)	(104.1)	(1.5)	(161.0)	(22.2)	(2.4)
Finance costs	(285.1)	(2.5)	(525.7)	(4.1)	(773.5)	(106.4)	(5.6)	(358.0)	(5.1)	(433.3)	(59.6)	(6.5)
Share of profits/(losses) of associates	0.9	0.0	(21.6)	(0.2)	(17.2)	(2.4)	(0.1)	(0.1)	(0.0)	(12.7)	(1.7)	(0.2)
Profit before tax	**850.2**	**7.4**	**1,030.9**	**8.1**	**933.6**	**128.5**	**6.7**	**903.2**	**12.9**	**523.9**	**72.1**	**7.8**
Income tax expense	(341.7)	(3.0)	(419.1)	(3.3)	(351.8)	(48.4)	(2.5)	(295.1)	(4.2)	(218.1)	(30.0)	(3.3)
Profit for the year	**508.5**	**4.4**	**611.8**	**4.8**	**581.8**	**80.1**	**4.2**	**608.0**	**8.7**	**305.8**	**42.1**	**4.6**

Results of operations for the six months ended 30 June 2024 compared to the six months ended 30 June 2023

Revenue

For the six months ended 30 June 2024, the Group's revenue decreased by 4.1% to RMB6,692.1 million (USD920.9 million) as compared with the same period in 2023, mainly due to the decline in IMF sales following the transition to new 'GB approved' IMF ranges.

	Six months ended 30 June					
					% to revenue	
	2023	2024	2024	Reported Change	2024	2023
	RMB million	RMB million	USD million			
Revenue by product segment						
Nutritional Supplements	4,192.3	4,425.2	608.9	5.6%	66.1%	60.1%
– VHMS products	2,876.7	3,258.2	448.3	13.3%	48.7%	41.2%
– Pediatric probiotic and nutritional supplements	743.6	508.6	70.0	–31.6%	7.6%	10.7%
– Pet supplements	572.0	658.4	90.6	15.1%	9.8%	8.2%
Infant formulas	2,213.7	1,798.4	247.5	–18.8%	26.9%	31.7%
Others[1]	574.8	468.5	64.5	–18.5%	7.0%	8.2%
Revenue by business segment						
Adult nutrition and care products	2,938.2	3,275.6	450.7	11.5%	49.0%	42.1%
Baby nutrition and care products[2]	3,115.9	2,431.5	334.6	–22.0%	36.3%	44.6%
Pet nutrition and care products	926.7	985.0	135.5	6.3%	14.7%	13.3%
Revenue by geography						
China	5,076.1	4,541.4	624.9	–10.5%	67.9%	72.7%
ANZ	829.6	975.9	134.3	17.6%	14.6%	11.9%
North America	736.5	815.8	112.3	10.8%	12.2%	10.6%
Other Territories	338.6	359.0	49.4	6.0%	5.3%	4.8%
Total	6,980.8	6,692.1	920.9	–4.1%	100.0%	100.0%

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

[2] Baby nutrition and care products include infant formulas, probiotic and nutritional supplements and other pediatric products.

China

Revenue from China recorded a year-on-year decrease of 10.5% to RMB4,541.4 million (USD624.9 million) for the six months ended 30 June 2024. The decrease was mainly due to a double-digit decrease in BNC and PNC segment, which was partially offset by a stable single-digit growth in ANC segment. Revenue from China accounted for 67.9% of the Group's total revenue for the six months ended 30 June 2024, compared with 72.7% in the same period of 2023.

Revenue from ANC segment in China maintained a stable growth of 8.8% as compared with the same period of 2023, and accounted for 64.9% of the Group's total ANC revenue for the six months ended 30 June 2024. The growth was mainly driven by the robust consumer demand for beauty, multi-vitamins and detox products, as well as the continued strong growth of innovative categories such as the Swisse Plus+ range. Revenue from the premium Swisse Plus+ range contributed to a double-digit percentage of ANC revenue in China market. According to research statistics by Early Data, for the twelve months ended 30 June 2024, Swisse continued to maintain its No.1 position in China's online VHMS market with a market share of 8.0%.

In BNC segment of China, total revenue decreased by 23.2% to RMB2,240.2 million for the six months ended 30 June 2024, comparing with the same period of 2023. Within BNC segment, the revenue from IMF in China for the six months ended 30 June 2024 recorded a year-on-year decline of 19.0% to RMB1,732.4 million, even though the pace of decline significantly narrowed from the first quarter to the second quarter of 2024. The decrease mainly resulted from (i) the ongoing systemic challenges faced by the entire IMF industry in China, and the continued competitive intensity following the new 'GB standards' transition; and (ii) the longer than expected time to deplete old 'GB approved' IMF stocks in channels that led to a lower sell-in.

For the six months ended 30 June 2024, we recorded revenue from pediatric probiotic and nutritional supplements in China of RMB500.6 million, decreasing by 32.0% compared with the six months ended 30 June 2023. The decline was mostly attributed to the high base effect following a one-off surge in demand for probiotics in the same period of 2023. However, the decline was partially offset by the strong sales growth of pediatric nutritional supplements, due to the increasing consumer demand and the launch of new innovative products including probiotic gummies, DHA and calcium that support the physical and mental wellbeing of children. Revenue from pediatric nutritional supplements grew by 113.0% year-on-year in the six months ended 30 June 2024, contributing 12.2% to the total sales of pediatric probiotics and nutritional supplements. According to research statistics by Kantar Worldpanel based on market share data for the twelve months ended 31 December 2023, Biostime is the No. 1 pediatric probiotics in China.

Australia and New Zealand

Revenue from ANZ market increased by 17.6% year-on-year for the six months ended 30 June 2024, contributing 14.6% 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) the continued increasing contribution from products in high growth formats, including gummies range which currently holds a No. 2 market share of 15.6% according to research statistics by IQVIA; and (iii) the strong corporate daigou sales growth. Swisse maintained its No. 1 position in the overall Australian VHMS market based on total market unit sales according to research statistics by IQVIA, based on market share data for the twelve months ended 30 June 2024.

North America

For the six months ended 30 June 2024, revenue contributed from North America reached a growth of 10.8% year-on-year, and accounted for 12.2% of the Group's total revenue. The stable growth was mainly benefited from the well-established pet nutrition premiumization, the pet humanizing trends and the expanding pet population.

Revenue of Zesty Paws achieved strong year-on-year growth of 10.5% for the six months ended 30 June 2024, calculated on USD basis, due to the rapidly expansion of its offline distribution, expanding into Sam's Club, Costco, Petco and Meijer in the first half of 2024, and building on its earlier expansions into Walmart, Target, PetSmart, CVS and Tractor Supply.

Revenue of Solid Gold recorded a slight increase of 0.5% for the six months ended 30 June 2024 as compared with the same period of 2023, calculated on USD basis. The slower year-on year growth was primarily attributed to the ongoing channel optimisation and portfolio premiumisation efforts aimed at driving the long-term growth of the brand.

Other territories

Revenue contributed from other territories increased by 6.0% for the six months ended 30 June 2024 as compared with the same period of 2023. The increase was mainly attributed to robust growth in expansion markets in Italy, Thailand, India and Middle East.

Gross profit and gross profit margin

In the first half of 2024, the Group recorded gross profit of RMB4,072.3 million (USD560.4 million), representing a decrease of 4.5% as compared with the same period of 2023. The Group's gross profit margin decreased slightly from 61.1% in the first half of 2023 to 60.9% in the first half of 2024, mainly due to (i) the one-time stock write-off and provision in relation to the product portfolio premiumisation and channel optimisation exercises for Solid Gold business in North American market; and (ii) the product and market mix changes.

The gross profit margin of the ANC segment decreased from 67.0% in the first half of 2023 to 64.2% in the first half of 2024, mainly resulting from product mix changes in certain markets and the higher revenue contribution from the new emerging markets. 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 BNC segment increased from 59.6% in the first half 2023 to 62.1% in the first half of 2024 due to the reduction in 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.

The gross profit margin of the PNC segment decreased from 47.0% in the first half of 2023 to 46.5% in the same period of 2024. Excluding the one-time stock write-off and provision for the six months ended 30 June 2024 in relation to the product portfolio premiumisation and channel optimisation exercises for Solid Gold business in North American market, the gross profit margin of the PNC segment increased for the six months ended 30 June 2024 as compared with the six months ended 30 June 2023. The increase was mainly due to the favorable product mix towards higher revenue contribution from high-margin nutritional supplements products.

Other income and gains

Other income and gains amounted to RMB118.2 million (USD16.3 million) for the six months ended 30 June 2024. Other income and gains primarily consisted of net fair value gain on the financial instruments of RMB59.1 million, gain on sales of raw materials of RMB37.5 million, bank interest income of RMB6.9 million and others. The non-cash fair value gain on financial instruments of RMB59.1 million was mainly caused by the cross currency swap and cross currency interest rate swap agreements for the Group's long term debt.

Selling and distribution expenses

Excluding depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets ("**D&A**"), selling and distribution costs increased slightly by 1.0% to RMB2,564.7 million for the six months ended 30 June 2024, as compared with same period of 2023. Selling and distribution costs excluding D&A as a percentage of the Group's revenue increased from 36.4% in the first half of 2023 to 38.3% in the first half of 2024 mainly due to the unfavorable impact from the double-digit decline of the BNC segment sales.

Selling and distribution costs of ANC business for the six months ended 30 June 2024 increased as compared with the same period of 2023. Selling and distribution costs of ANC business as a percentage of the Group's revenue from ANC business decreased for the first half of 2024 as compared with same period of the 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 increased slightly in the first half of 2023 as compared with the first half of 2024. The selling and distribution costs other than advertising and marketing expense of ANC business as a percentage to its revenue decreased in the first half of 2024 as compared with the same period of 2023 resulting from the continuing measures taken in all markets especially in China and ANZ to improve the spending efficiency.

Selling and distribution costs of BNC business for the six months ended 30 June 2024, decreased as compared with the same period of 2023. Selling and distribution costs of BNC business as a percentage of the Group's revenue from BNC business increased in the first half of 2024 as compared with same period of 2023, mainly resulting from the double-digit decline of the BNC segment sales.

Advertising and marketing expense of BNC business as a percentage of its revenue increased for the first half of 2024 as compared with the first half of 2024. Selling and distribution costs other than advertising and marketing expense of BNC business as a percentage of revenue increased for the first half of 2024 as compared with the same period of 2023 mainly due to (i) the higher investment required to deplete old 'GB approved' IMF stocks in channels; and (ii) the low base effect following a one-off surge in demand for probiotics in the same period of 2023.

Selling and distribution costs of PNC business increased for the six months ended 30 June 2024, as compared with the same period of 2023. Selling and distribution costs of PNC business as a percentage of its revenue increased for the six months ended 30 June 2024 as compared with 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 decreased for the six months ended 30 June 2024 as compared with the same period of 2023. The selling and distribution costs other than advertising and marketing expense of PNC business as a percentage to its revenue increased for the first half of 2023 as compared with the same period of 2023. The increase was mainly due to the investment to support channel expansion in both core markets and expansion markets.

Administrative expenses

Administrative expenses decreased by 1.6% from RMB412.4 million for the six months ended 30 June 2023 to RMB405.9 million (USD55.9 million) for the six months ended 30 June 2024. Administrative expenses as a percentage of the Group's revenue increased from 5.9% in the first half of 2023 to 6.1% in the first half of 2024 mainly resulted from the decline of BNC revenue.

Other expenses

Other expenses for the six months ended 30 June 2024 amounted to RMB161.0 million (USD22.2 million). Other expenses mainly included R&D expenditure of RMB104.0 million, net foreign exchange losses of RMB40.9 million and others.

During the six months ended 30 June 2024, R&D expenditure increased by 22.5% as compared with the same period of 2023, which was mainly attributable to the Group's determination for continued investment in product innovation. R&D expenditure as a percentage of the Group's revenue increased from 1.2% for the six months end 30 June 2023 to 1.6% for the six months ended 30 June 2024.

The net foreign exchange losses of RMB40.9 million mainly represented non-cash losses from the revaluation on intragroup loans.

Finance costs

During the six months ended 30 June 2024, the Group's finance costs increased by 21.0% from RMB358.0 million for the six months ended 30 June 2023 to RMB433.3 million (USD59.6 million) for the same period in 2024. The finance costs for the six months ended 30 June 2024 included interest on the interest-bearing bank loans, senior notes and guaranteed bonds of RMB429.6 million and others.

The interest on the interest-bearing bank loans, senior notes and guaranteed bonds for the six months ended 30 June 2024 increased by 18.9% compared with the same period of 2023 mainly due to the increased base rate following the US Federal Reserve's rate hike, higher coupon rate on the 2026 Notes (as compared to the senior notes that the 2026 Notes refinanced) and the depreciation of RMB against USD.

Income tax expense

Income tax expense decreased from RMB295.1 million for the six months ended 30 June 2023 to RMB218.1 million (USD30.0 million) for the six months ended 30 June 2024. The effective tax rate increased from 32.7% in the first half of 2023 to 41.6% in the first half of 2024, mainly due to (i) the increase in non-deductible interest of the interest-bearing bank loans, senior notes and guaranteed bonds; and (ii) the increased profits derived from the high-tax jurisdictions.

Profit for the period

Our profit decreased by 49.7% to RMB305.8 million (USD42.1 million) for the six months ended 30 June 2024 from RMB608.0 million for the six months ended 30 June 2023.

EBITDA, adjusted EBITDA and related margins

Adjusted EBITDA decreased by 20.2% to RMB1,181.1 million (USD162.4 million) for the six months ended 30 June 2024, comparing with the six months ended 30 June 2023. Adjusted EBITDA margin for the first half of 2024 decreased from 21.2% for the six months ended 30 June 2023 to 17.6% for the same period of 2024. The decrease in Adjusted EBITDA margin was mainly due to the decline in BNC segment.

EBITDA for the six months ended 30 June 2024 decreased by 21.4% from RMB1,397.9 million for the six months ended 30 June 2023 to RMB1,098.4 million (USD151.2 million).

Results of operations for the year ended 31 December 2023 compared to the year ended 31 December 2022

Revenue

For the year ended 31 December 2023, the Group's revenue increased by 9.0% to RMB13,926.5 million (USD1,916.4 million) as compared with 2022, mainly driven by the strong growth of nutritional supplements.

	Year ended 31 December					
					% to revenue	
	2022	2023	2023	Reported Change	2022	2023
	RMB million	RMB million	USD million			
Revenue by product segment						
Nutritional Supplements	6,475.6	8,415.3	1,158.0	30.0%	50.7%	60.4%
– VHMS products	4,457.8	6,030.7	829.9	35.3%	34.9%	43.3%
– Pediatric probiotic and nutritional supplements	1,111.7	1,213.3	167.0	9.1%	8.7%	8.7%
– Pet supplements	906.1	1,171.3	161.2	29.3%	7.1%	8.4%
Infant formulas	5,180.0	4,397.5	605.1	–15.1%	40.5%	31.6%
Others[1]	1,120.3	1,113.7	153.3	–0.6%	8.8%	8.0%
Revenue by business segment						
Adult nutrition and care products	4,559.2	6,144.9	845.6	34.8%	35.7%	44.1%
Baby nutrition and care products[2]	6,687.2	5,907.5	812.9	–11.7%	52.3%	42.4%
Pet nutrition and care products	1,529.5	1,874.1	257.9	22.5%	12.0%	13.5%
Revenue by geography						
China	9,565.9	9,972.7	1,372.3	4.3%	74.9%	71.6%
ANZ	1,387.3	1,794.6	246.9	29.4%	10.9%	12.9%
North America	1,220.8	1,498.2	206.2	22.7%	9.6%	10.8%
Other Territories	601.9	661.0	91.0	9.8%	4.6%	4.7%
Total	12,775.9	13,926.5	1,916.4	9.0%	100.0%	100.0%

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

[2] Baby nutrition and care products include infant formulas, probiotic and nutritional supplements and other pediatric products.

China

Revenue from China amounted to RMB9,972.7 million for the year ended 31 December 2023, which increased by 4.3% compared with 2022. The increase was mainly attributable to the strong double-digit growth in ANC and PNC segment, which was partially offset by a mid-teen decrease in BNC segment. Revenue from China accounted for 71.6% of our total revenue for the year ended 31 December 2023, compared with 74.9% in 2022.

Revenue of ANC segment in China maintained the strong growth momentum with a year-on-year growth of 38.1% and accounted for 66.0% of our total ANC revenue for the year ended 31 December 2023. The growth was mainly led by the robust consumer demand for health supplements post COVID, our efforts to launch innovative categories such as Swisse Plus+ range and introduction of more blue hat SKUs compliant for normal trade. For the year ended 31 December 2023, normal trade sales continued to deliver robust year-on-year growth, as we enhanced our normal trade product portfolio, further supported by product launches in innovative categories and effective brand marketing. As of 31 December 2023, 21 blue hats (as of 31 December 2022: 17 blue hats) out of 55 Swisse SKUs in the normal trade channel were available at 62,393 normal retail touchpoints in China. According to research statistics by Early Data, an independent data provider, Swisse continued to maintain its No.1 position across major e-commerce platforms in China for the year ended 31 December 2023, with market shares of 8.1%. In the online normal trade channel in China, Swisse achieved No.3 ranking with 2.6% market share for the twelve months ended 31 December 2023 according to Early Data.

Revenue of BNC segment decreased by 12.4% to RMB5,510.7 million for the year ended 31 December 2023 as compared with 2022. For the year ended 31 December 2023, the revenue from IMF in China recorded a year-on-year decline of 15.5% to RMB4,244.2 million as compared with 2022. The decrease was mainly resulted from the systemic challenges affecting the entire IMF industry in China, coupled with the increased competitive intensity including destocking of old GB products amid the transition to new 'GB standards'. Despite the strong market headwinds, we continued our channel expansion strategy, branding initiatives and focused investments in consumer education, particularly in our super-premium IMF segment. According to Nielsen, an independent research data provider, our super-premium IMF segment achieved a market share of 12.4% for the twelve months ended 31 December 2023, outperforming the overall market growth rate.

For the year ended 31 December 2023, we recorded revenue from pediatric probiotic and nutritional supplements in China of RMB1,200.6 million, increasing by 8.8% compared with the year ended 31 December 2022, driven by the higher consumer demand for pediatric 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 was the No. 1 pediatric nutritional supplement brand in China in 2023. Sales of pediatric probiotic and nutritional supplements in China during the third quarter of 2023 recorded a double-digit decline due to customers' need for destocking and lower traffic in the pharmacy channel for immunity-related products post peak time of COVID, while the sales performance was stabilized in the fourth quarter of 2023.

Revenue from other pediatric products segment in China, mainly sales of Dodie branded diaper, decreased by 60.5% to RMB65.9 million for the year ended 31 December 2023 compared with 2022. The decrease was mainly due to (i) the declined sales of overall China market resulted from the declining birth rates and (ii) our channel optimization strategy of moving away from online to offline to drive continued profitability improvement. Following our strategic choice to focus on high-margin and fast-growing nutritional supplements, we exited Dodie branded diaper business in China in 2024. We do not expect any material adverse impact from the discontinuance of Dodie diaper business.

Despite slower industry growth, revenue from PNC segment in China recorded a strong growth of 20.8% in the year ended 31 December 2023 as compared with 2022. Leveraging strong branding expertise online, according to SmartPath Solid Gold maintained its No. 2 position in mainland China's online premium cat dry food category alongside the launch of innovative new products and as we widened the brand's reach in the offline and online markets. By end of 2023, Solid Gold SKUs were available in approximately 9,200 pet stores and pet hospitals in the offline China market.

Australia and New Zealand

Revenue from ANZ market segment increased by 29.4% for the year ended 31 December 2023, contributing 12.9% of our total revenue. This strong growth was driven by (i) leveraging growing demand for immune, beauty nutrition and general wellness-supporting products while continuing to strategically focus on the domestic market and new product launches; (ii) increasing contribution from innovative products, including gummies range which achieved a No. 2 market position according to IQVIA based on market share data for the twelve months ended 30 June 2024. Swisse was ranked No.1 in Australian VHMS market by unit sales and was ranked No. 1 position in major subcategories including "Beauty from Within", "Detox", "Multivitamins" and "Muscle Support & Recovery", according to IQVIA based on market share data for the year ended 31 December 2023.

North America

For the year ended 31 December 2023, revenue generated by North America achieved strong growth of 22.7% year-on-year, and accounted for 10.8% of our total revenue. The strong growth was mainly driven by the increasing pet adoption rate, alongside the pet nutrition premiumisation and pet humanizing trends that are becoming well established in North America market.

Revenue of Zesty Paws achieved year-on-year growth of 21.7% for the year ended 31 December 2023, calculated on USD basis. Zesty Paws rapidly expanded its distribution network incorporating prominent retailers such as Walmart, Target, PetSmart, CVS, Tractor Supply and independent pet stores broadening its market penetration and reaching a broader consumer base. The effectiveness of our strategic initiatives in driving brand growth and market leadership in key retail channels, allowed Zesty Paws to be one of the America's well-established brands in its business.

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

Other territories

Revenue generated by other territories increased by 9.8% in the year ended 31 December 2023 as compared with 2022. The increase was mainly attributed to the robust growth in Italy and Asian expansion markets including Hong Kong SAR, Singapore, Southeast Asia, India and the Middle East. We maintained our high market share rankings in several of these markets, including No. 1 market share position in beauty VHMS, liver health and men's health markets in Singapore, according to Nielsen based on market share data for the twelve months ended 30 June 2024, and No. 2 market share position in beauty VHMS markets in Italy, according to IMS IQVIA based on market share data for the twelve months ended 30 June 2024.

Gross profit and gross profit margin

In the year ended 31 December 2023, we recorded gross profit of RMB8,294.3 million (USD1,141.3 million), representing an increase of 7.7% as compared with 2022. Our gross profit margin decreased slightly from 60.3% in the year ended 31 December 2022 to 59.6% in the year ended 31 December 2023, mainly due to the decrease in the BNC segment, which was partially offset by the gross profit margin improvement in the ANC and PNC segments.

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

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

The gross profit margin of the PNC segment increased from 44.4% in 2022 to 48.6% in 2023. The increased gross profit margin of PNC segment was mainly due to the continuous efforts on supply chain optimisation and product mix improvement towards higher revenue contribution from high-margin nutritional supplement products.

Other income and gains

Other income and gains amounted to RMB214.6 million (USD29.5 million) for the year ended 31 December 2023. Other income and gains primarily consisted of gain on sales of raw materials of RMB65.0 million, net fair value gain on the financial instruments of RMB53.1 million, interest income from bank deposits, loans and bonds receivables of RMB24.4 million, gain from the partial repurchase of senior notes of RMB20.8 million, government subsidies of RMB19.1 million and others.

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

Selling and distribution expenses

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

Selling and distribution costs of ANC business in the year ended 31 December 2023 represented an increase as compared with 2022. Selling and distribution costs of ANC business as a percentage of our revenue from ANC business decreased from 2022 to 2023, mainly driven by the continuous efforts to improve the spending efficiency.

Advertising and marketing expense of ANC business as a percentage to our ANC revenue decreased from 2022 to 2023. The selling and distribution costs other than advertising and marketing expense of ANC business as a percentage to its revenue decreased from 2022 to 2023 resulting from the continuing measures taken in all markets especially in China and ANZ to improve the spending efficiency.

Selling and distribution costs of BNC business in the year ended 31 December 2023 represented a decrease as compared with 2022. Selling and distribution costs of BNC business as a percentage of our revenue from BNC business increased slightly from 2022 to 2023.

Advertising and marketing expense of BNC business decreased in the year ended 31 December 2023, as compared with 2022. Advertising and marketing expense as a percentage of BNC revenue increased slightly from 2022 to 2023. The selling and distribution costs other than advertising and marketing expense of BNC business as a percentage of revenue increased slightly from 2022 to 2023.

Selling and distribution costs of PNC business increased for the year ended 31 December 2023, as compared with 2022. Selling and distribution costs of PNC business as a percentage of its revenue increased from the year ended 31 December 2022 to 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 2022 to 2023. The selling and distribution costs other than advertising and marketing expense of PNC business as a percentage to its revenue increased from 2022 to 2023. The increase was mainly due to the investment to support channel expansion in both China and North America markets.

Administrative expenses

Administrative expenses increased by 16.6% from RMB727.7 million in the year ended 31 December 2022 to RMB848.5 million (USD116.8 million) for the year ended 31 December 2023. Administrative expenses as a percentage of our revenue increased from 5.7% in the year ended 31 December 2022 to 6.1% in the year ended 31 December 2023 mainly resulted from the increased employee incentives and increased traveling expenses post travel restriction during COVID pandemic.

Other expenses

Other expenses for the year ended 31 December 2023 amounted to RMB336.4 million (USD46.3 million). Other expenses mainly included R&D expenditure of RMB206.1 million, non-cash impairment of goodwill and the intangible assets in relation to the previous acquisitions of Aurelia and Good Goût in Europe of RMB97.3 million, and net foreign exchange loss of RMB4.8 million.

During the year ended 31 December 2023, R&D expenditure increased by 30.3% as compared with 2022, which was mainly attributable to our determination for continued investment in product innovation. R&D expenditure as a percentage of our revenue increased from 1.2% in 2022 to 1.5% in 2023.

Finance costs

During the year ended 31 December 2023, the Group incurred finance costs of RMB773.5 million (USD106.4 million), representing an increase of 47.1% compared with 2022. The finance costs for the year ended 31 December 2023 included interests for the term loan and senior notes of RMB801.3 million.

The interests for the interest-bearing bank loans and senior notes for the year ended 31 December 2023 increased by 52.9% compared with 2022 mainly due to the increased base rate following the US Federal Reserve's rate hike and the depreciation of RMB against USD. The finance costs for the year ended 31 December 2023 also included the one-off transaction costs net of gain on exchange of senior notes of RMB28.8 million, which was offset by the non-recurring amortized gain of RMB62.9 million in relation to the interest rate swap for previous term loan.

Income tax expense

Income tax expense decreased from RMB419.1 million in the year ended 31 December 2022 to RMB351.8 million (USD48.4 million) in the year ended 31 December 2023. Due to our continuing effort on optimisation and efficiency improvement, the effective tax rate decreased from 40.7% in 2022 to 37.7% in 2023.

Profit for the year

Our profit for the year decreased by 4.9% to RMB581.8 million (USD80.1 million) for the year ended 31 December 2023 from RMB611.8 million for the year ended 31 December 2022.

EBITDA, adjusted EBITDA and related margins

Adjusted EBITDA achieved an increase of 7.8% from RMB2,167.3 million in the year ended 31 December 2022 to RMB2,337.3 million (USD321.7 million) in the year ended 31 December 2023. Adjusted EBITDA margin decreased slightly from 17.0% in the year ended 31 December 2022 to 16.8% in the year ended 31 December 2023.

Results of operations for the year ended 31 December 2022 compared to the year ended 31 December 2021

Revenue

For the year ended 31 December 2022, the Group's revenue reached RMB12,775.9 million, increasing by 10.6% as compared with 2021, driven by growth in all of its three product segments.

	For the year ended 31 December 2021				
	2021		2022		
	Amount (RMB)	Percentage of total revenue (%)	Amount (RMB)	Percentage of total revenue (%)	Reported Change (%)
	(in millions, except percentages)				
Revenue by product segment					
Nutritional Supplements	5,253.4	45.5%	6,475.6	50.7%	23.3%
– VHMS products	4,089.3	35.4%	4,457.8	34.9%	9.0%
– Pediatric probiotic and nutritional supplements	974.0	8.4%	1,111.7	8.7%	14.1%
– Pet supplements	190.1	1.6%	906.1	7.1%	376.6%
Infant formulas	5,146.4	44.6%	5,180.0	40.5%	0.7%
Others[1]	1,148.0	9.9%	1,120.3	8.8%	(2.4)%
Revenue by business segment					
Adult nutrition and care products	4,209.2	36.4	4,559.2	35.7	8.3
Baby nutrition and care products[2]	6,612.2	57.3	6,687.2	52.3	1.1
Pet nutrition and care products	726.4	6.3	1,529.5	12.0	110.6
Revenue by geography					
China	9,084.6	78.7	9,565.9	74.9	5.3
ANZ	1,307.4	11.3	1,387.4	10.9	6.1
North America	499.3	4.3	1,220.8	9.6	144.5
Other territories	656.5	5.7	601.9	4.7	(8.3)
Total	**11,547.8**	**100.0**	**12,775.9**	**100.0**	**10.6**

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

[2] Baby nutrition and care products include infant formulas, probiotic and nutritional supplements and other pediatric products.

China

Revenue from China amounted to RMB9,565.9 million for the year ended 31 December 2022, increasing by 5.3% compared with 2021. The increase was a result of the Group deepening its channel penetration, strengthening its brand awareness and reaching out to a broader consumer base through effective consumer education activities. The China market remained the Group's main growth driver and accounted for 74.9% of the Group's total revenue in 2022, compared with 78.7% in 2021.

In ANC segment, revenue from China maintained a strong growth of 9.9% as compared with 2021, and accounted for 64.4% of the Group's total ANC revenue for the year ended 31 December 2022. The growth was mainly driven by the Group's efforts to launch innovative categories such as Swisse Plus range and introduce more blue hat compliant SKUs for normal trade. For the year ended 31 December 2022, the Group saw an increase in its offline trade sales revenue in China compared to the year ended 31 December 2021. As of 31 December 2022, the Group covered 67,900 offline distribution points in China. According to research statistics by Early Data, an independent data provider, Swisse continued to maintain its No.1

position across major e-commerce platforms in China with a market share of 7.5% for the year ended 31 December 2022, improving from 6.6% for the year ended 31 December 2021. In the normal trade channel in China, Swisse achieved No. 4 ranking with 2.0% market share for the year ended 31 December 2022.

Revenue from the BNC segment in China increased by 2.2% to RMB6,292.8 million for the year ended 31 December 2022 compared with 2021. For the year ended 31 December 2022, the revenue from IMF in China achieved growth of 0.8% reaching RMB5,022.9 million, compared with 2021. Despite the declining birth rates, constrained demand, and increasing competition ahead of the implementation of new GB standards in 2023, the Group continued to strengthen brand awareness and rapidly expanded its reach in lower-tier cities and counties through its channel expansion strategy, branding initiatives and focused investments in consumer education. According to NielsenIQ, the Group's super-premium Biostime IMF products achieved a market share of 12.1% and a positive retail scan sales growth for the year ended 31 December 2022, outperforming the overall market growth rate.

For the year ended 31 December 2022, the Group recorded revenue from probiotic supplements in China of RMB1,079.1 million, increasing by 12.8% compared with the year ended 31 December 2021, driven by market penetration through effective consumer education about the functional benefits of the Group's products and increased distribution expansion within the Group's existing IMF offline channels.

Revenue from other pediatric products segment in China, mainly sales of Dodie branded diapers, decreased by 12.3% to RMB190.8 million for the year ended 31 December 2022 compared with 2021. The decrease was mainly due to the focus shift from volume growth to profitability improvement for this category.

Revenue from PNC segment in China recorded a strong growth of 32.2% in the year ended 31 December 2022 as compared with 2021. The strong growth was mainly supported by the targeted marketing, innovative new product development and channel expansions in both online and offline. Leveraging strong branding expertise online, Solid Gold now ranks No. 2 in the premium cat dry food category with 14.7% share for the year ended 31 December 2022 according to Smart Path. By end of 2022, Solid Gold had entered approximately 7,600 pet stores and pet hospitals in the offline China market.

Australia and New Zealand

In Australian dollars, the presentation currency for the financial statements of the Group's subsidiaries in ANZ, revenue from ANZ market amounted to A$297.3 million for the year ended 31 December 2022, representing an increase of 10.1% compared with the year ended 31 December 2021. The increase was mainly due to the rising demand for immune, beauty nutrition, and general wellness-supporting products, as well as a strategic refocus on the domestic market and the launch of new products in innovative categories such as the sugar free gummies range. The revenue from the corporate daigou channel and retail channels also saw an increase in the year ended 31 December 2022 compared with the year ended 31 December 2021.

North America

For the year ended 31 December 2022, revenue contributed from North America achieved strong growth of 144.5% year-on-year, and accounted for 9.6% of the Group's total revenue. The strong growth was mainly driven by the consolidation of Zesty Paws' full year results in 2022, the increasing pet population, alongside the pet nutrition premiumization and pet humanizing trends that are becoming well established in North America market. On a like-for-like basis, the revenue contributed from North America also achieved a double-digit growth owing to the increasing pet population.

In US dollars, the presentation currency for the financial statements of Solid Gold US, revenue of Solid Gold achieved year-on-year growth of 2.2% in 2022. On a standalone basis, revenue of Zesty Paws reached USD132.6 million in 2022, representing a double-digit growth compared to 2021. Growth of Solid Gold was impacted temporarily by the transition of its business on Amazon from a wholesale model to a marketplace model, which was completed in December 2022. Leveraging local expertise to expand online and offline, Zesty Paws and Solid Gold are now present in more than 7,700 stores and 3,400 stores respectively, including major chains such as Walmart, Target, PetSmart and independent pet stores.

Other territories

Revenue contributed from other territories decreased by 8.3% in the year ended 31 December 2022 as compared with 2021. The decrease mainly resulted from the Group's strategic refocusing and restructuring particularly in European markets aiming for profitability improvement. In the year ended 31 December 2022, revenue from Asian markets increased by 34.2% compared with 2021. The growth in Asian markets was mainly driven by the growth of ANC segment in both offline and online channels across new markets including Vietnam, Thailand, India, and Malaysia.

Gross profit and gross profit margin

In 2022, the Group recorded gross profit of RMB7,703.5 million, an increase of 6.3% compared with 2021. The Group's gross profit margin decreased to 60.3% in 2022 from 62.8% in 2021, mainly due to the unfavorable product mix changes towards higher revenue proportion from the lower-margin PNC segment and the reclassification of certain costs of free gifts for BNC business in the China market from selling and distribution expenses to cost of goods sold ("**COGS**") following a more precise way of classification according to respective purposes of usage. Various effective and timely supply chain optimization measures helped to mitigate the impact of sourcing cost increase to a large extent.

The gross profit for the adult nutrition and care segment increased by 7.0% to RMB2,852.6 million in 2022, compared with 2021. The gross profit margin of the adult nutrition and care segment decreased by 0.7 percentage points from 63.3% in 2021 to 62.6% in 2022, mainly resulting from the increased stock provision and write-off following the product category focus change in the Group's core markets and the business restructuring in EU markets, and the increasing sourcing cost.

The gross profit of baby nutrition and care segment decreased by 2.6% to RMB4,172.5 million in 2022 compared with that of 2021. The gross profit margin of baby nutrition and care segment decreased by 2.4 percentage points from 64.8% in 2021 to 62.4% in 2022, mainly due to the reclassification of certain costs of free gifts in the China market and the increasing sourcing cost, which was partially offset by the favorable product mix impact towards higher revenue proportion from the higher-margin probiotic supplements.

The gross profit of pet nutrition and care segment in 2022 was RMB678.5 million. The gross profit margin of the pet nutrition and care segment increased to 44.4% in 2022 from 41.3% in 2021. The decreased gross profit margin of PNC segment was mainly due to the rising inflation and supply chain challenges.

Other income and gains

Our other income and gains amounted to RMB219.8 million for the year ended 31 December 2022. Other income and gains primarily consisted of net foreign exchange gain of RMB76.7 million, net fair value gains on derivative financial instruments of RMB23.6 million, gain from the partial repurchase of senior notes of RMB25.2 million, interest income from bank deposits, loans and bonds receivables of RMB20.0 million, government subsidies of RMB18.5 million and others.

The net foreign exchange gain of RMB76.7 million mainly represented non-cash gain from the revaluation on intragroup loans between the Company and its subsidiaries resulting from intra-group transaction. The non-cash fair value gains on derivative financial instruments of RMB23.6 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 expenses

Excluding depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets ("**D&A**"), selling and distribution expenses increased by 4.8% to RMB5,025.4 million in the year ended 31 December 2022, as compared with 2021. Selling and distribution expenses excluding D&A as a percentage of the Group's revenue decreased to 39.3% in 2022 from 41.5% in 2021.

ANC segment

Selling and distribution expenses of ANC business increased in 2022 as compared with 2021. Selling and distribution expenses of ANC business as a percentage of its revenue decreased in 2022 as compared with 2021, mainly due to the continuous efforts to drive spending efficiency.

Advertising and marketing expense of ANC business as a percentage of its revenue increased in 2022 as compared with 2021. The increase was mainly from China and ANZ markets in order to further enhance brand awareness and build up scale both online and offline. The Group's most influential brand-building investment, in particular, has been Biostime and Swisse's co-sponsoring of the supremely popular reality show Sisters Who Make Waves (乘風破浪的姐姐), which is allowing the Group to reach and educate a highly relevant audience for both brands.

The selling and distribution expenses other than advertising and marketing expense of ANC business as a percentage to its revenue decreased in 2022 as compared with 2021, resulting from the continuing measures taken in all markets especially in China and ANZ to improve the spending efficiency.

BNC segment

Selling and distribution expenses of BNC business decreased in the year ended 31 December 2022 as compared with 2021, mainly driven by the continuous efforts to drive spending efficiency.

Advertising and marketing expense of BNC business as a percentage of its revenue increased slightly in 2022 as compared with 2021. The increase was mainly due to the increased branding investment.

PNC segment

Selling and distribution expenses of PNC business increased in 2022 as compared with 2021, mainly due to the consolidation of Zesty Paws and the investment to support expansion in Chinese market for Solid Gold. Selling and distribution expenses of PNC business as a percentage of its revenue decreased slightly in 2022 as compared with 2021.

Administrative expenses

Administrative expenses increased by 4.6% from RMB695.7 million in 2021 to RMB727.7 million for the year ended 31 December 2022. Administrative expenses as a percentage of the Group's revenue decreased by 0.3 percentage point to 5.7% in 2022 as a result of the continued efforts made to optimize overall administrative cost structure.

Other expenses

Other expenses decreased to RMB382.2 million for the year ended 31 December 2022 from RMB554.3 million for the year ended 31 December 2021. Other expenses mainly included R&D expenditure of RMB158.2 million, non-cash impairment of goodwill and the intangible assets in relation to the previous acquisitions of Aurelia and Good Goût™ in EU of RMB134.5 million, and non-cash impairment of loan with the Group's previous supplier of baby cereals for China of RMB52.1 million, the recovery of such loan being the subject of an existing legal dispute proceeding.

R&D expenditure for the year ended 31 December 2022 increased by 9.9% as compared with 2021. The increase in R&D expenditure was mainly due to the Group's determination for continued investment in product innovation. R&D expenditure as a percentage of the Group's revenue remained stable at 1.2% in 2022 compared with 2021.

Finance costs

During the year ended 31 December 2022, we incurred finance costs of RMB525.7 million, representing an increase of 84.4%, as compared to RMB285.1 million for the year ended 31 December 2021.

The finance costs for the year ended 31 December 2022 included interests for the term loan and senior notes of RMB524.2 million, which increased by 104.8% compared with 2021, primarily due to the incremental interest-bearing bank loans with principal of USD550 million in relation to the acquisition of Zesty Paws.

Income tax expense

Income tax expense increased by 22.7% from RMB341.7 million for the year ended 31 December 2021 to RMB419.1 million for the year ended 31 December 2022. The effective tax rate increased from 40.2% for the year ended 31 December 2021 to 40.7% for the year ended 31 December 2022, primarily due to the increased deferred tax liabilities resulting from the taxable temporary differences in relation to the goodwill and intangible assets of Zesty Paws and Solid Gold identified during acquisition.

Profit for the year

Our profit for the year increased by 20.3% to RMB611.8 million for the year ended 31 December 2022 from RMB508.5 million for the year ended 31 December 2021.

EBITDA, adjusted EBITDA and related margins

EBITDA for the year ended 31 December 2022 amounted to RMB1,847.9 million, increased by 29.3% as compared with 2021, and EBITDA margin increased by 2.1 percentage points from 12.4% in 2021 to 14.5% in 2022.

Adjusted EBITDA increased by 6.1% to RMB2,167.3 million in the year ended 31 December 2022, as compared with RMB2,043.1 million in 2021. Adjusted EBITDA margin decreased by 0.7 percentage points from 17.7% in 2021 to 17.0% in 2022. The decrease in Adjusted EBITDA margin was mainly due to (i) the dilution from lower-margin PNC business; and (ii) higher investment required to strengthen both channel and brand positioning particularly in the China market.

Liquidity and capital resources

Liquidity generally describes our ability to generate sufficient cash flows to meet the cash requirements of our business operations, including working capital needs, debt service obligations, other commitments, contractual obligations, acquisitions and investments in joint ventures and cooperation arrangements. Due to the cash generative nature of our business, stable working capital needs and relatively low capital expenditure levels, our primary source of liquidity has been cash flow from our operations.

We have prudently managed our cash balances and liquidity needs through methods such as intergroup dividends and intergroup loans.

On 27 June 2024, we entered into the Zinc Syndicated Facilities Agreement which provided for CNH equivalent of USD150,000,000 term loan facility, arranged by China Construction Bank (Asia) Corporation Limited as mandated lead arranger and bookrunner and as original lender to fund the partial prepayment of the Senior Term Facilities. On 30 August 2024, we entered into the Omega Syndicated Facilities Agreement, which includes the Omega Term Facilities and the Omega RCF, totalling USD560,000,000, with among others, The Hongkong and Shanghai Banking Corporation Limited as agent and security agent, Goldman Sachs (Asia) L.L.C., China CITIC Bank Corporation Limited, Guangzhou Branch, China CITIC Bank International Limited, Coöperatieve Rabobank U.A. Hong Kong Branch, a branch of Coöperatieve Rabobank U.A. whose place of incorporation is the Netherlands, Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Industrial Bank Co., Ltd. (a Joint Stock Company Incorporated In P.R.C With Limited Liability), Hong Kong Branch and Morgan Stanley Senior Funding, INC. as mandated lead arrangers. Additionally, we entered into the Bilateral Facility with Luso International Banking Limited, along with the Omega Term Facilities, to fund the repayment of the 2022 Senior Facilities.

We expect that our primary sources of liquidity going forward, including to service interest and amortization payments on the Senior Facilities and interest payments on the Notes to be offered in connection with this Offering, will be provided by our ability to generate cash flows from our operations. For further information, see "*Description of certain financing arrangements*" in this offering memorandum. The majority of our cash is presently held in unrestricted deposits in China, Hong Kong and Australia. Cash in China may be distributed as a dividend to service the Notes, subject to, as applicable, withholding tax in China and other foreign exchange requirements. Please see "*Regulation — The People's Republic of China*".

In addition, we will need to comply with the restrictive covenants in the Senior Facilities and Indenture in order for us to incur additional debt. See "*Description of the Notes — Certain Covenants*".

Whilst we believe that our expected cash flows from operations will be adequate to meet our anticipated general liquidity needs and debt service obligations, we cannot assure you that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our liquidity needs, including making payments on the Notes, the Senior Facilities or other debt when due. If our cash flows from operating activities are lower than expected, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section entitled "*Risk Factors*".

Net cash flows

The following table sets forth, for the period indicated, certain information relating to our net cash flows:

	For the year ended 31 December				For the six months ended 30 June		
IFRS	**2021**	**2022**	**2023**		**2023**	**2024**	
				(in millions)			
	(RMB)	**(RMB)**	**(RMB)**	**(USD)**	**(RMB)**	**(RMB)**	**(USD)**
		(Audited)				**(Unaudited)**	
Net cash flows from operating activities	1,890.1	1,469.3	1,096.8	150.9	22.1	1,052.5	144.8
Net cash flows from/ (used in) investing activities	(4,010.6)	(104.9)	(52.1)	(7.2)	(19.3)	8.4	1.2
Net cash flows used in financing activities	2,768.4	(1,489.8)	(1,994.6)	(274.5)	(205.7)	(86.7)	(11.9)

Net cash flows from operating activities

For the six months ended 30 June 2024, our net cash from operating activities of RMB1,052.5 million (USD144.8 million), resulting from pre-tax cash from operations of RMB1,224.4 million, minus income tax paid of RMB171.8 million. The inventories, net of write-down of inventories to net realizable value, decreased by RMB487.0 million mainly attributable to the new GB product launches since the end of 2023 and the inventory management efficiency improvement for ANC and PNC. The above positive impact was partially offset by (i) the decrease in contract liabilities of RMB148.7 million; (ii) the decrease in other payables and accruals of RMB104.6 million; (iii) the decrease in prepayments, other receivables and other assets of RMB52.3 million; and (iv) the decrease in trade payables of RMB48.6 million mainly due to the different cut-off days.

For the year ended 31 December 2023, our net cash flows from operating activities of RMB1,096.8 million (USD150.9 million), resulting from pre-tax cash flows from operations of RMB1,653.0 million, minus income tax paid of RMB556.2 million. The trade and bills receivables, net of impairment of trade receivables, increased RMB267.6 million mainly due to the higher revenue contribution from credit sales in oversea markets outside China. The trade payables decreased RMB299.8 million mainly due to the different cut-off days. The above negative impact was partially offset by the decrease in inventories of RMB241.0 million, net of write-down of inventories to net realizable value.

For the year ended 31 December 2022, our net cash flow from operating activities amounted to RMB1,469.3 million. This primarily consisted of pre-tax cash generated from operations of RMB1,941.9 million, minus income tax paid of RMB472.6 million. The pre-tax cash generated from operations consisted of cash flows from operating activities of RMB2,143.0 million before working capital adjustments and net negative changes in working capital of RMB201.1 million. The net negative changes in working capital were primarily due to an increase in inventories of RMB706.7 million, partially offset by an increase in trade and bills payables of RMB430.1 million.

For the year ended 31 December 2021, our net cash flow from operating activities amounted to RMB1,890.1 million. Net cash flows from operating activities for the year ended 31 December 2021 mainly consisted of pre-tax cash generated from operations of RMB2,223.7 million, partially offset by income tax paid of RMB333.6 million. The pre-tax cash generated from operations consisted of cash flows from operating activities of RMB1,967.4 million before working capital adjustments and net positive changes in working capital of RMB256.2 million. The net positive changes in working capital were primarily due to an increase in trade and bills payables of RMB232.0 million and an increase in contract liabilities of RMB101.8 million, partially offset by an increase in inventories of RMB164.1 million.

Net cash flows from investing activities

For the six months ended 30 June 2024, our net cash flows from investing activities amounted to RMB8.4 million (USD1.2 million), primarily resulted from receipt of bond receivable of RMB78.6 million and interest received of RMB8.0 million, partially offsetting by purchases of property, plant and equipment and intangible assets of RMB28.7 million, and purchase of structured deposits of RMB50.0 million.

For the year ended 31 December 2023, our net cash flows used in investing activities amounted to RMB52.1 million (USD7.2 million), primarily resulted from purchases of property, plant and equipment and intangible assets of RMB91.0 million, partially offsetting by interest received of RMB23.9 million.

For the year ended 31 December 2022, our net cash flows used in investing activities amounted RMB104.9 million. This primarily resulted from purchases of property, plant and equipment, intangible assets and right-of-use assets of RMB102.5 million, payment for the acquisition of an associate of RMB20.1 million, partially offsetting by interest received of RMB15.1 million.

For the year ended 31 December 2021, our net cash flows used in investing activities amounted RMB4,010.6 million. This primarily resulted from payment in relation to acquisition of Zesty Paws of RMB3,926.0 million, purchase of property, plant and equipment and intangible assets of RMB106.6 million, strategic investments mainly made by the Group's wholly-owned NewH^2 fund of RMB51.5 million, further investment in 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.

Net cash flows from financing activities

For the six months ended 30 June 2024, our net cash flows used in financing activities amounted to RMB86.7 million (USD11.9 million), primarily related to the repayment of interest-bearing bank loans and repurchase of guaranteed bonds of RMB2,040.8 million, the interest paid for borrowings of RMB400.6 million, the partial purchase of senior notes of RMB428.4 million, the transaction costs in relation to the issuance of the senior notes and guaranteed bonds of RMB52.1 million, and the payment of lease liabilities of RMB31.9 million. The above cash outflows were partially offset by the proceed from new bank loans of RMB1,390.0 million, and the net proceed from issuance of senior notes and guaranteed bonds of RMB1,406.8 million.

For the year ended 31 December 2023, our net cash flows used in financing activities amounted to RMB1,994.6 million (USD274.5 million), primarily related to the repayment of interest-bearing bank loans of RMB1,092.6 million, the interest paid for interest-bearing bank loans and senior notes of RMB750.0 million, the partial purchase of senior notes of RMB599.6 million, the dividend paid of RMB474.5 million, the transaction costs in relation to the exchange and issuance of the senior notes of RMB97.6 million, and payment of lease liabilities of RMB36.3 million. The above cash outflows were partially offset by the proceed from new bank loans of RMB610.0 million, the net proceeds from issuance of senior notes of RMB408.0 million, and the proceeds from certain cross currency swaps of RMB38.2 million.

For the year ended 31 December 2022, our net cash flows used in financing activities amounted to RMB1,489.8 million. This primarily resulted from related to the net of repayment of existing interest-bearing bank loans and proceeds from new term loan of RMB383.7 million, cash outflow for the partial purchase of senior notes of RMB183.2 million, the interest paid for interest-bearing bank loans and senior notes of RMB474.6 million, the transaction costs in relation to the refinancing of the interest-bearing bank loans of RMB146.7 million, the purchase of the Company's shares of RMB61.8 million under the share award scheme adopted by the Company on 11 January 2022, payment of dividend of RMB233.6 million, and payment of lease liabilities of RMB41.0 million.

For the year ended 31 December 2021, our 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.

Net current assets/(liabilities)

Net current assets are critical to our financial performance and we must maintain sufficient liquidity and financial flexibility to continue our daily operations. Our current assets primarily consist of cash and cash equivalents, restricted deposits, inventories, trade and bills receivables, prepayments, deposits and other receivables. Our current liabilities primarily consist of interest-bearing bank loans, trade and bills payable, other payables and accruals, contract liabilities and tax payable. We manage our net current assets by closely monitoring the level of our trade payables and other payables and accruals as well as inventory levels. Our cash position consists primarily of bank balances, time deposits and restricted deposits.

As at 30 June 2024, we recorded net current liabilities of RMB3,489.3 million (USD480.1 million), which was mainly resulted from certain portion of interest-bearing bank loans and other borrowings, amounted to RMB5,555.0 million in total, which will be due for repayment in the coming 12 months.

The following table sets forth, as of the dates indicated, our current assets, current liabilities and net current liabilities:

	As of 31 December				As of 30 June	
	2021	2022	2023		2024	
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(USD)
			(in millions)			
Current Assets						
Inventories	2,087.7	2,587.7	2,374.8	326.8	1,879.0	258.6
Trade and bills receivables	739.3	769.1	1,060.3	145.9	1,054.1	145.0
Prepayments, deposits and other receivables	280.8	179.3	247.1	34.0	295.5	40.7
Bond receivables	–	–	78.6	10.8	–	–
Derivative financial instruments	5.7	8.9	0.9	0.1	54.8	7.5
Financial assets at fair value through profit or loss	–	–	–	–	50.0	6.9
Pledged/restricted deposits	–	10.8	7.4	1.0	7.4	1.0
Cash and cash equivalents	2,400.1	2,303.7	1,364.3	187.7	2,379.1	327.4
Total Current Assets	**5,513.5**	**5,859.4**	**5,133.4**	**706.4**	**5,719.9**	**787.1**
Current Liabilities						
Trade and bills payables	881.5	1,341.0	1,040.7	143.2	996.5	137.1
Other payables and accruals	2,175.4	2,199.3	2,216.1	304.9	2,116.2	291.2
Contract liabilities	264.2	266.6	200.5	27.6	55.7	7.7
Lease liabilities	23.5	22.0	37.4	5.1	30.1	4.1
Derivative financial instruments	0.1	–	103.9	14.3	70.7	9.7
Interest-bearing bank loans and other borrowings	3,125.7	967.2	4,289.9	590.3	5,555.0	764.4
Senior notes	19.8	19.4	432.2	59.5	152.1	20.9
Dividend payables	–	–	–	–	105.4	14.5
Tax payable	331.8	319.4	120.5	16.6	127.5	17.5
Total Current Liabilities	**6,821.9**	**5,134.9**	**8,441.2**	**1161.5**	**9,209.2**	**1,267.2**
Net Current Assets/(Liabilities)	**(1,308.5)**	**724.5**	**(3,307.8)**	**(455.2)**	**(3,489.3)**	**(480.1)**

The following table sets forth, for the periods indicated, our working capital cycle for inventory and trade and bills receivable and payables:

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
Inventory turnover days[1]	169	166	159	174	146
Trade and bills receivables turnover days[2]	24	21	24	22	28
Trade and bills payables turnover days[3]	64	79	76	77	70

(1) Turnover days of inventories is derived by dividing the arithmetic mean of the opening and closing balances of inventory for the relevant period by cost of sales and *multiplying by* 360 days for a year or multiplying by 180 days with respect to turnover days of inventories for a six-month period.

(2) Turnover days of trade and bills receivables is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills receivables for the relevant period by revenue and *multiplying by* 360 days for a year or multiplying by 180 days with respect to turnover days of trade and bill receivables for a six-month period.

(3) Turnover days of trade and bills payables is derived by dividing the arithmetic mean of opening and closing balances of trade and bills payables, for the relevant period by cost of sales and *multiplying by* 360 days for a year or multiplying by 180 days with respect to turnover days of trade and bills payable for a six-month period.

The inventory turnover days decreased from 174 days for the six months ended 30 June 2023 to 146 days for the six months ended 30 June 2024. The inventory turnover days of ANC products decreased from 157 days for the six months ended 30 June 2023 to 134 days for the six months ended 30 June 2024. The decrease was mainly due to the higher safety stock built up in the first half of 2023 to support the strong sales growth of ANC segment during that period. The inventory turnover days of BNC products decreased from 176 days for the six months ended 30 June 2023 to 168 days for the six months ended 30 June 2024, following the new GB product launches since the end of 2022. The inventory turnover days of PNC products decreased from 205 days for the six months ended 30 June 2023 to 137 days for the six months ended 30 June 2024, thanks to the continuing supply chain optimisation effort.

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

The inventory turnover days decreased by 3 days to 166 days for the year ended 31 December 2022, from 169 days for the year ended 31 December 2021. The average turnover days of BNC products decreased by 8 days from 186 days for the year ended 31 December 2021 to 178 days for the year ended 31 December 2022, mainly due to the continuous management improvement efforts during the COVID-19 pandemic. The average turnover days of ANC products decreased by 11 days from 156 days for the year ended 31 December 2021 to 145 days for the year ended 31 December 2022, mainly resulting from continuous inventory management improvement and the higher consumer demand after the outbreak of the latest wave of COVID-19 in China towards the end of 2022. The inventory turnover days of PNC products increased from 125 days for the year ended 31 December 2021 to 173 days for the year ended 31 December 2022, mainly due to the higher safety stock built to ensure business continuity.

Inventory

We apply a conservative inventory management policy maintaining sufficient levels of finished products and raw materials on hand (approximately two to three months for our adult nutrition and care products and four months for our baby nutrition and care products) in order to ensure that we can meet the demand for our products as well as benefit from the longer shelf-life and non-perishable nature of most of our products and raw materials.

The following table sets forth, for the periods indicated, our inventory:

	As of 31 December			As of 30 June
	2021	2022	2023	2024
	(in millions) (RMB)			
Raw materials	796.0	652.1	554.6	430.2
Goods in transit	409.0	671.6	358.7	317.5
Work in progress	4.1	3.6	4.7	0.1
Finished goods	878.5	1,260.4	1,456.7	1,131.2
Total	**2,087.7**	**2,587.7**	**2,374.8**	**1,879.0**

As of 30 June 2024, our inventory decreased by 20.9% to RMB1,879.0 million (USD258.6 million), as compared to RMB2,374.8 million as of 31 December 2023, primarily due to the launch of new GB products since the end of 2023 and the inventory management efficiency improvement for ANC and PNC.

As of 31 December 2023, our inventory decreased by 8.2% to RMB2,374.8 million (USD326.8 million), as compared to RMB2,587.7 million as of 31 December 2022, primarily due to the launch of new GB products since the end of 2023.

As of 31 December 2022, our inventory increased by 23.9% to RMB2,587.7 million, as compared to RMB2,087.7 million as of 31 December 2021, primarily due to the higher safety stock of IMF built up ahead of the implementation of new GB standards in 2023, and the higher safety stock of PNC products built to ensure business continuity.

Inventories are stated at cost, which is calculated using the weighted average method or net realizable value, whichever is lower. The cost of finished goods and work-in-progress comprises raw materials, direct labor and related production overhead, based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less any estimated costs to be incurred to completion and disposal. We make provisions for impairment of inventories when the carrying value of our inventories declines below the net realizable value. We review the carrying value of our inventories from time to time and make adjustments based on conditions of goods, including age and expiry date of the products. As at 30 June 2024, the carrying amount of inventories was RMB1,879.0 million after netting of the provision for impairment of RMB276.8 million. The provision for impairment mainly related to certain obsolete and slow-moving inventories.

Trade and bills receivables

Advance payment is normally required for sales to customers in China except in limited circumstances for credit sales. Credit sales are usually allowed for customers outside 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 minimize credit risk. Overdue balances are reviewed regularly by senior management.

The following table sets forth, for the periods indicated, our trade and bills receivables:

	As of 31 December			As of 30 June
	2021	2022	2023	2024
Within one month	477.0	314.6	549.0	667.6
One to three months	223.7	411.2	458.0	296.1
Over three months	38.5	43.3	53.3	90.3
Total	**739.3**	**769.1**	**1,060.3**	**1,054.1**

As of 31 December 2021, 2022 and 2023 and 30 June 2024, we had provided for impairment for trade and bills receivables of RMB25.0 million, RMB26.2 million, RMB25.7 million (USD3.5 million) and RMB23.5 million (USD3.2 million), respectively. Such provisions were provided based on a forward-looking expected credit loss ("**ECL**") approach. We do not hold any collateral or other security over such impaired amount.

Prepayments, deposits and other receivables

Prepayments primarily represent prepayments in connection with advertisement, other professional services and insurance. Other receivables primarily represent interest receivables and VAT receivables. Our prepayments, deposits and other receivables as of 30 June 2024 were primarily comprised of purchase of certain raw materials, prepaid promotion and advertising costs and input VAT receivable.

We estimate the provisions for impairment of other receivables by assessing their recoverability based on credit history and prevailing market conditions, which requires the use of estimates and judgments. Provisions are applied to other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of other receivables and thus the impairment loss in the period in which such estimate is changed. We reassess the provisions at end of each reporting period.

Trade and bills payable

Our suppliers generally grant us a credit period of between 30 and 90 days. As of 31 December 2021, 2022 and 2023 and 30 June 2024 we had trade and bills payable of RMB881.5 million, RMB1,341.0 million, RMB1,040.7 million (USD143.2 million) and RMB996.5 million (USD137.1 million), respectively. The decrease as of 30 June 2024 compared to 31 December 2023, and as of to 31 December 2023 compared to 31 December 2022 was primarily due to the different cut-off days. The increase as of 31 December 2022 as compared to 31 December 2021 was primarily due to the increase in purchases of IMF stock ahead of the implementation of new GB standards in 2023.

Other payables and accruals

Accruals primarily represented the payables relating to promotion and advertisements, office, professional and other services fees, which were incurred but have not yet settled.

As of 31 December 2021, 2022 and 2023 and 30 June 2024, we had other payables and accruals for current portion of RMB2,175.4 million, RMB2,199.3 million and RMB2,216.1 million (USD304.9 million) and RMB2,116.2 million (USD291.2 million), respectively.

Contractual Obligations

We lease certain offices, warehouses office equipment and vehicles under operating lease arrangements, with leases negotiated for terms ranging from one to ten years.

Capital Expenditures

Given that the majority of our products are manufactured by our suppliers, our capital expenditures have remained low over the last three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024. We incur maintenance capital expenditures in connection with maintenance activities at our R&D centers, office premises and warehouse facilities. We also incur growth capital expenditures principally in connection with our R&D and manufacturing facility in Guangzhou and Changsha, China.

Our capital expenditures were RMB106.6 million, RMB102.5 million and RMB91.0 million (USD12.5 million), RMB47.2 million and RMB28.7 million (USD4.0 million) for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. Our spending on capital expenditure for the years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2023 and 2024 was primarily in relation to payment for the purchases of property, plant and equipment, intangible assets and right-of-use assets.

We do not expect to incur any significant investment or growth expenditure in property, plant and equipment in the near future. Any potential future growth projects requiring capital expenditure will be evaluated under strict criteria to ensure that they meet our return targets and generate attractive returns on capital consistent with past practices.

Off-balance sheet arrangements

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contingent liabilities

As of 30 June 2024, we did not have any significant contingent liabilities.

Quantitative and qualitative disclosures about market risks

Our principal financial instruments, other than derivatives, comprise cash and cash equivalents, time deposits, pledged/restricted deposits, other non-current financial assets, senior notes, and interest-bearing bank loans and other borrowings. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables and other payables, which arise directly from our operations.

We have also entered into derivative transactions, e.g., forward currency contracts, cross currency swaps and cross currency interest rate swaps. The purpose is to manage the currency risks arising from our operations and our sources of finance.

The main risks arising from our financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Our board of directors reviews and agrees to policies for managing each of these risks and they are summarized below.

Interest rate risk

With respect to the floating interest rate instruments, we are subject to the cash flow interest rate risk, and for the fixed interest rate instruments, we are subject to fair value interest rate risk.

We have entered into certain interest rate hedging agreements to manage our floating interest rate exposure under the Senior Facilities.

Foreign currency risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. For the year ended 31 December 2023, 2% of our sales were denominated in currencies other than the functional currencies of our operating subsidiaries while 78% of our purchases were denominated in currencies other than these subsidiaries' functional currencies. The functional currencies of our major operating subsidiaries are Renminbi, Australian dollars and US dollars. Certain operating subsidiaries used forward currency hedge contracts to mitigate the foreign currency exposure. We have bank balances denominated multiple currencies including AUD, HKD, USD and EUR. In addition, we have investments denominated in USD and EUR, and issued senior notes in USD. Also, we have certain bank loans which are denominated in USD, AUD and HKD.

We have previously entered into foreign exchange agreements in respect of US dollar-denominated liabilities under the Senior Facilities and the 2026 Notes may enter into new foreign exchange agreements in respect of our US dollar-denominated liabilities under the Notes. Our financial results have been, and in the future will be, subject to currency translation effects resulting from fluctuations in foreign currency against the Renminbi. For example, our total borrowings in US dollar terms have decreased in 2022 from 2021. However as reported in Renminbi, our total borrowings increased in 2022 from 2021, due to the increase of the corresponding US dollar to Renminbi exchange rates from 2021 to 2022, as the majority of our total borrowings in 2021 and 2022 were denominated in US dollar.

Credit risk

We trade only with recognized and creditworthy third parties. It is our policy that all consumers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

The credit risk of our other financial assets, which comprise bonds receivable, loans receivable, other non-current financial assets, financial assets included in other receivables and deposits, cash and cash equivalents, time deposits and restricted deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Since we trade only with recognized and creditworthy third parties, we do not require any collateral. In addition, substantially all of our cash and cash equivalents are held in major financial institutions located in Hong Kong, China and Australia, which are of high credit quality.

Liquidity risk

Our policy is to maintain sufficient cash and cash equivalents and have available funding through borrowings to meet our working capital requirements. We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers projected cash flows from operating, investing and financing activities by operating subsidiary, intergroup cashflows and the maturity of its financial instruments.

Commodity price risk

We are also exposed to commodity price risk from changes in the prices of our products and the cost of our raw materials and packaging materials. Fluctuation on commodity price of raw materials and packaging materials due to various factors beyond our control, including increasing market demand, inflation, severe climatic and environmental conditions, currency fluctuations, changes in governmental and agricultural regulations and programs and other factors, may have significant impact on our earnings and cash flows as well as the value of our inventories. We have not historically entered into any commodity derivative instruments to hedge our potential commodity price changes. We also expect that our raw material prices will continue to fluctuate in the future.

Critical accounting policies and practices

The discussion and analysis of our results of operations and financial condition is based on our audited consolidated financial information, which has been prepared in accordance with IFRS. Our results of operations and financial condition are sensitive to accounting methods, assumptions and estimates that underlie the preparation of our consolidated financial information. Historical experience and various other assumptions and estimates we currently believe to be reasonable form the basis for making our judgments on matters that are not readily apparent from other sources. Our management evaluates these estimates on an ongoing basis. Actual results may differ from these estimates as the facts, circumstances and conditions may experience change or as a result of different assumptions.

The selection of critical accounting policies, the judgments and other uncertainties affecting the application of those policies, as well as the sensitivity of reported results to changes in conditions and assumptions, are all factors you should consider when reviewing our audited financial statements and interim financial statements. Our material accounting policies are summarized in Note 2.4, our significant accounting judgments and estimates are summarized in Note 3 to the Audited Consolidated Financial Statements as of and for the year ended 31 December 2023 and our changes in accounting policies and disclosures are summarized in Note 3 to the Interim Condensed Consolidated Financial Statements as of and for the six months ended 30 June 2024 included elsewhere in this offering memorandum. We believe that these critical accounting policies and practices, accounting judgements and estimates involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Derivative Financial Instrument and Hedge Accounting

The Company uses derivative financial instruments, such as cross currency swaps and cross currency interest rate swaps, to hedge its interest rate risk and foreign currency risk, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss. For additional information, please see Note 2.4 to the Audited Consolidated Financial Statements as of and for the year ended 31 December 2023.

Revenue recognition

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

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

Impairment

In accordance with IFRS, we assess whether goodwill, trademarks and brand names are impaired at least on an annual basis. This requires an estimation of their value in use. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units where the goodwill is allocated, or the trademark or brand name, and a suitable discount rate to calculate the present value of those cash flows. Goodwill amounted to RMB7,748.0 million (USD1,066.2 million) as at 30 June 2024, RMB7,820.5 million (USD1,076.1 million) as at 31 December 2023, RMB7,684.1 million as at 31 December 2022 and RMB7,472.0 million as at 31 December 2021.

Inventories

Our inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Our management reviews our aging analysis of inventories at each reporting date and makes provision for identified obsolete and slow-moving inventory items that are no longer suitable for sale.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, **provided that** a reliable estimate can be made from the amount of the obligation. When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the finance costs in profit or loss.

Income tax provisions and deferred tax assets and liabilities

The determination of income tax provisions involves judgment on the future tax treatment of certain transactions. Our management carefully evaluates the tax implications of transactions, and tax provisions are made accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislations and practices.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgment on the tax treatments of certain transactions and the assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be covered.

INDUSTRY OVERVIEW

Generally, the industry and market information presented below is taken or derived from the cited sources. Industry and market data is inherently forward-looking and subject to uncertainty and does not necessarily reflect actual market conditions. It is based on market research, which itself is based on sampling and subjective judgments by both the researchers and respondents, including judgments about what types of products and competitors should be included in the relevant market. In addition, certain statements below are based on our own proprietary information, insights, subjective opinions or unsubstantiated estimates and not on any third-party or independent source; these statements contain words such as "we estimate", "we expect", "we believe" or "in our view", and as such do not purport to cite to or summarize any third-party or independent source and should not be read to do so. Unless stated otherwise, all retail values expressed in this section are in local currency terms or US dollar terms, using the year-on-year exchange rates used by Euromonitor. All retail values, whether country-specific, regional and global, are expressed in current value terms, with inflationary effects included. Unless otherwise stated, all value data citations are in Retail RSP (retail selling price) terms, current value, USD, year-on-year exchange rates. All Euromonitor International data citations related to the VDS market are extracted from Consumer Health, 2025 edition. All Euromonitor International data citations related to baby nutrition are extracted from Dairy Products and Alternatives, 2025 edition. All Euromonitor International data citations related to pet nutrition are extracted from Pet Care, 2025 edition.

Vitamin and dietary supplements (VDS) market

Overview

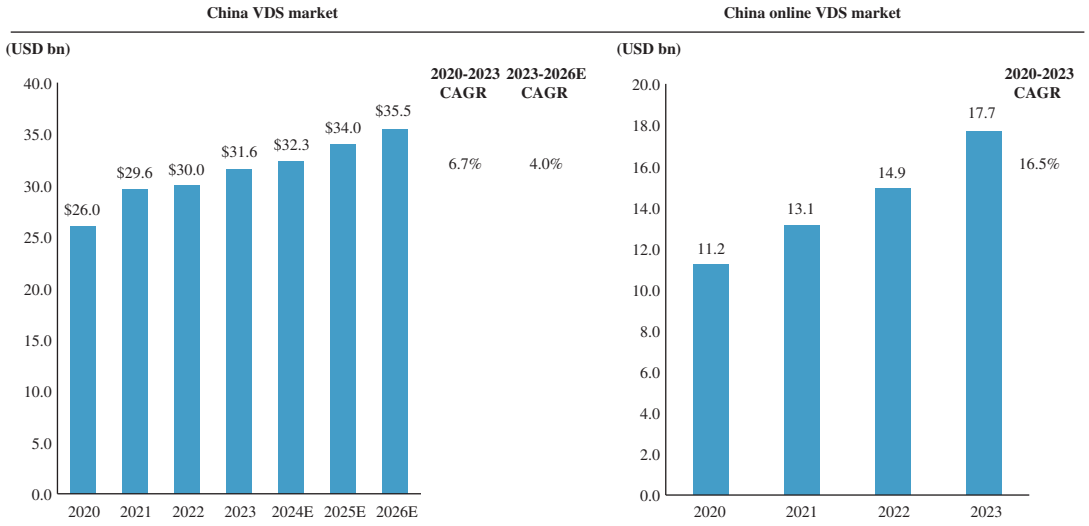
According to The US Food and Drug Administration, dietary supplements are intended to add to or supplement the diet and are different from conventional food. Supplements are ingested and come in many forms, including tablets, capsules, soft gels, gel caps, powders, bars, gummies, and liquids. Common supplements include (i) vitamins (such as multivitamins or individual vitamins like vitamin D and biotin), (ii) minerals (such as calcium, magnesium, and iron), (iii) herbs and botanical compounds, (iv) amino acids (such as tryptophan and glutamine) and (v) probiotics.

According to Euromonitor, the global VDS market increased from USD119.2 billion in 2020 to USD132.4 billion in 2023, representing an approximate CAGR of 3.6% and is expected to grow at a CAGR of 4.6% from USD132.4 billion in 2023 to USD151.6 billion in 2026.

VDS market in China

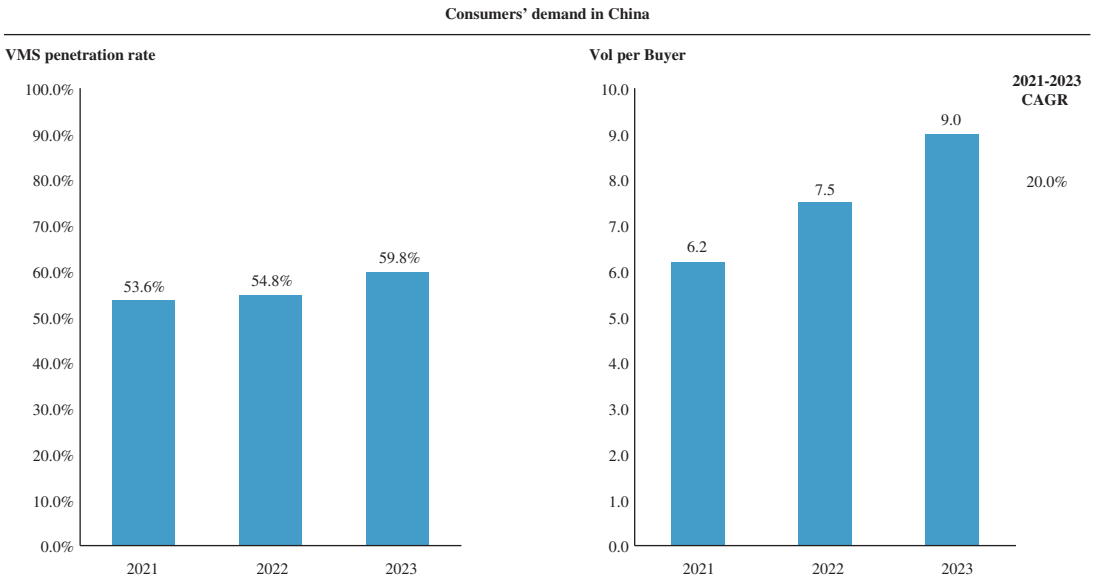
According to Euromonitor, the China VDS market grew at a CAGR of 6.7% over the period from 2020 to 2023, and it is expected to grow at a CAGR of 4.0% from 2023 to 2026. In addition, online VDS sales in China grew at a CAGR of 16.5% from 2020 to 2023, with contribution to total sales increasing from 42.9% in 2020 to 55.9% in 2023.

The following tables sets forth, for the periods indicated, the historical and forecast CAGR of the China VDS market, as well as the China's online VDS market:



Source: Euromonitor International, Consumer Health 2025 edition, Vitamins and Dietary Supplements retail value sales in RSP, current prices, year-on-year exchange rates.

We believe the China VMS market will continue to expand, driven by increased health consciousness among consumers and the resulting rise in consumer demand. Furthermore, China VMS category penetration is still lower than other more mature markets, such as the United States. According to Euromonitor, the average consumption per capita of VDS in 2023 highlights a significant disparity, with China at USD22.4, considerably lower than the United States at USD110.3 indicating substantial growth potential in the China market. According to Kantar Worldpanel, both the VMS penetration rate and the volume purchased per buyer in China grew in 2023. The following graph sets forth, for the periods indicated on historical basis, the VMS penetration rate and the volume purchased per buyer in China:



Source: Kantar Worldpanel

In addition, we believe that further growth in the China VMS market will be supported by (i) increasingly aging population and modern living lifestyle; and (ii) favorable policy environment.

The growing health awareness, which was further stimulated by the outbreak of COVID-19, created opportunistic conditions for the further development of dietary supplements, as consumers look to prevent the development of unfavorable health conditions. Rising awareness of such conditions has the potential to generate preventive demand across age groups and consequently promote premium high-quality products with more targeted functional benefits.

In addition, modern urban lifestyles with long working hours and busy social lives, which leave little time for regular, balanced meals, have made many consumers turn to snacking and on-the-go consumption and become more aware of the importance of nutrition. There is potential for dietary supplements to provide a convenient way to address perceived nutritional deficits, as well as the increased incidence of gastrointestinal problems resulting from stress and reliance on eating out and takeaways.

The Chinese Government is placing a growing emphasis on health, with the Healthy China 2030 plan, putting health reform front and center of the government's overall policy agenda for the next decade. The planned investment in primary healthcare offers significant opportunities to further increase the consumption of dietary supplements in the Chinese market.

The VDS market in China is highly fragmented. According to Euromonitor, in 2023, the five largest VDS companies in China (including us) by retail sales value collectively accounted for approximately 29.6% of the total retail sales value. Private-label sales remain negligible in China due to (i) competition among existing brands and (ii) consumer preference towards branded VDS products, which in our view is primarily attributable to greater consumer confidence for well-known brands.

Sales channels

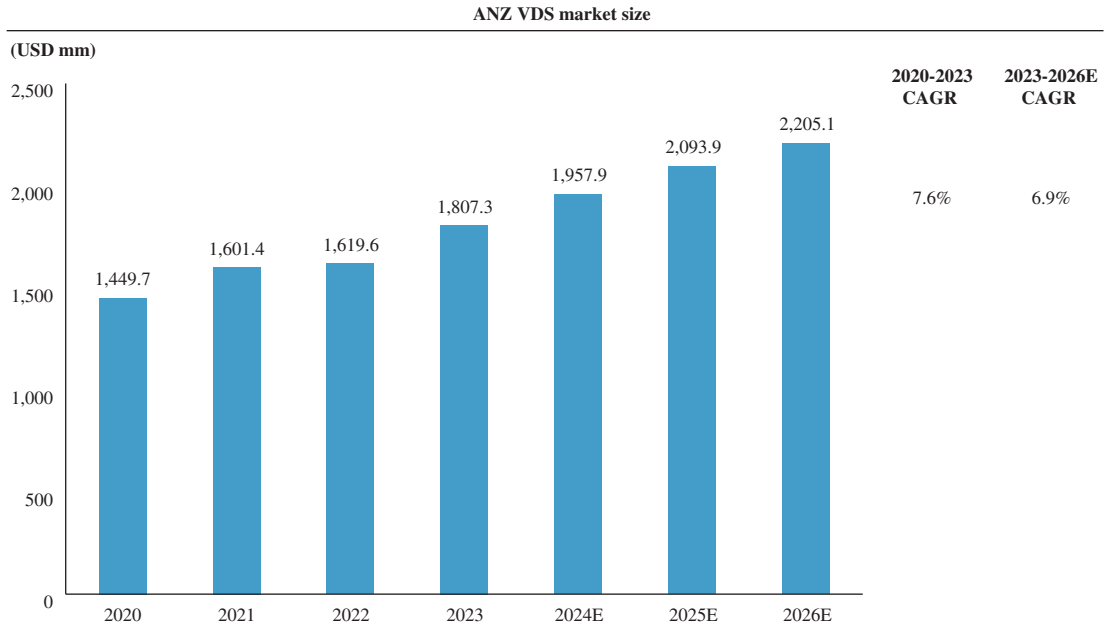
In China, VDS products are sold through a number of channels, including online retailing e-commerce, normal trade, cross boarder e-commerce, and pharmacies. The COVID-19 pandemic has accelerated direct sellers' shift to online activity. According to Euromonitor, online sales of VDS products on e-commerce platforms grew by 13.3% in USD from 2021 to 2022, and further grew by 18.7% from 2022 to 2023.

Based on the sales data from Early Data, in China, Swisse™ was ranked No. 1 in terms of sales value in the VHMS products under the health products category on the Alibaba, JD, VIP, Suning, Kaola and Amazon platforms combined for the year ended 31 December 2023 and for the twelve months ended 30 June 2024, with market shares of 8.0% and 8.1%, respectively. According to Early Data, Swisse was also ranked No. 1 in the bone & joints health (Calcium), beauty from within, heart health, detox & digestion, men's health products, women's health products, NAD+/NMN supplements and high-end thistle products on these platforms for the twelve months ended 30 June 2024. During the Double 11 event in 2024, Swisse recorded robust GMV growth and ranked No. 1 in all major traditional platforms.

VDS market in Australia and New Zealand

According to Euromonitor, the ANZ VDS market was approximately USD1.8 billion in retail value in 2023 and grew at a CAGR of 7.6% from 2020 to 2023 and the market is expected to grow at a CAGR of 6.9% from 2023 to 2026.

We believe the growing health and wellness awareness trend among ANZ consumers will be the main driving force behind the ANZ VDS market growth in the future. ANZ consumers have shifted from taking a remedial approach to health to adopting a more preventative lifestyle, which will likely result in increased consumer spending in health and wellness products, including vitamins and dietary supplements. The following table sets forth, for the periods indicated, the historical and forecast figures of the ANZ VDS market in USD:



Source: Euromonitor International, Consumer Health 2025 edition, Vitamins and Dietary Supplements retail value sales in RSP, current prices, year-on-year exchange rates.

Swisse in Australia has been one of the top-ranking brands in recent years. According to VMS data provided to Swisse by IQVIA™, Swisse was ranked as the No. 1 brand in the Australian VMS market in 2022 and 2023 with unit sales market share of 12.9% and 13.7%, respectively, for key pharmacy and grocery retailers. Out of the top 16 sub-categories, the Swisse brand ranked No. 1 in unit sales in four categories and No. 2 in four categories for the year ended 31 December 2023. The following tables set forth, for the period indicated, the market landscape of the Australian VMS market as well as Swisse's ranking in the Australian VMS market by sub-category in key pharmacy and grocery retailers.

Market landscape of the total Australian VMS market

Brands	2022			2023			June 2024		
	Unit Sales	Unit Growth	Per Cent. Share	Unit Sales	Unit Growth	Per Cent. Share	Unit Sales	Unit Growth	Per Cent. Share
TOTAL	87,623,002	6.6%		93,707,377	6.9%		95,229,775	5.6%	
SWISSE	11,260,109	6.2%	12.9%	12,822,314	13.9%	13.7%	12,927,612	8.4%	13.6%
Competitor 1	10,926,539	2.4%	12.5%	11,664,427	6.8%	12.4%	11,452,204	1.3%	12.0%
Competitor 2	10,034,434	7.4%	11.5%	10,908,145	8.7%	11.6%	11,111,859	7.1%	11.7%
Competitor 3	5,493,451	6.9%	6.3%	4,748,516	–13.6%	5.1%	4,495,473	–11.7%	4.7%
Competitor 4	3,811,301	–2.1%	4.3%	4,327,736	13.6%	4.6%	4,454,973	12.9%	4.7%
Competitor 5	3,658,947	27.1%	4.2%	3,236,758	–11.5%	3.5%	2,956,884	–13.4%	3.1%
Competitor 6	2,976,237	20.9%	3.4%	3,039,231	2.1%	3.2%	3,101,030	1.7%	3.3%
Competitor 7	2,917,494	–1.1%	3.3%	3,030,508	3.9%	3.2%	3,132,685	7.4%	3.3%
Competitor 8	2,764,308	–7.3%	3.2%	2,976,291	7.7%	3.2%	3,193,053	13.9%	3.4%
Competitor 9	2,469,099	1.6%	2.8%	2,714,865	10.0%	2.9%	2,771,568	6.2%	2.9%
Competitor 10	2,339,219	0.1%	2.7%	2,423,590	3.6%	2.6%	2,468,021	3.5%	2.6%

Source: Australian total unit market share data from IQVIA™, for the years ended 31 December 2022, 31 December 2023 and for the twelve months ended 30 June 2024.

Swisse' ranking in Australian VMS sub-category market

Sub-category	Swisse Value Market Share Segment Breakdown					
	2022		2023		June 2024	
	Per Cent. Share	Swisse' Rank	Per Cent. Share	Swisse' Rank	Per Cent. Share	Swisse' Rank
Detox	39.4%	1	49.2%	1	51.2%	1
Multivitamins	33.9%	1	38.8%	1	40.2%	1
Beauty from Within	23.7%	1	25.7%	1	25.5%	1
Muscle Support & Recovery	17.4%	1	17.2%	1	16.6%	1
Heart Health & Circulation	14.6%	2	16.3%	2	16.0%	2
Omega-3	14.1%	2	15.5%	2	14.5%	2
Stress, Mood & Sleep	12.6%	2	14.4%	2	14.8%	2
Cold, Flu & Immunity	13.5%	3	12.8%	3	12.6%	3
Bones & Joints	10.6%	3	11.7%	3	12.0%	3
Cognition & Brain Health	10.2%	3	10.3%	3	10.2%	3
Men's Health	9.5%	3	11.2%	2	11.0%	2
Superfood	10.9%	3	9.2%	4	7.7%	5
Women's Health	6.9%	3	7.8%	3	7.8%	3
Kids	6.2%	2	7.4%	2	7.7%	2
Gut Health	4.3%	7	4.6%	7	4.9%	5
Energy	3.5%	6	3.8%	5	3.9%	5
Family Planning & Maternal Support	1.3%	8	1.4%	8	1.4%	9

Source: Australian Swisse value market share data for key pharmacy and grocery retailers, by sub-category from IQVIA™ for the years ended 31 December 2022, 31 December 2023 and for the twelve months ended 30 June 2024.

Adult gummies is one of the fastest growing formats in Australia VMS Market, with a 33.7% sales growth from 2022 to 2023. Since the launch, Swisse gummies has experienced a significant increase in sales, with growth reaching 121.8% from 2022 to 2023. According to VMS data provided to Swisse by IQVIA™, the Swisse brand increased its value market share of the Australian adult gummies market from 12.1% in 2022, 20.0% in 2023, further to 20.9% for the twelve months ended 30 June 2024 in key pharmacy and grocery retailers. The following table sets forth the value market share of Swisse in the Australian adult gummies market.

	Market size of the Australian adult gummies market		Swisse market share in the Australian adult gummies market	
	Value Sales	Growth Rate	Swisse Value Sales	Per Cent. Share
	(AUD)		(AUD)	
2022	51,602,152	33.4%	6,218,302	12.1%
2023	68,988,116	33.7%	13,789,562	20.0%
12 months to 30 June 2024	74,153,643	20.6%	15,525,413	20.9%

Source: Australian Swisse value market share data from IQVIA™ for the years ended 31 December 2022, 31 December 2023, and for the twelve months ended 30 June 2024.

According to VMS data provided to Swisse by IQVIA™, Swisse was also ranked as the No. 1 brand in the Beauty from Within sub-category in the Australian VMS market for key pharmacy and grocery retailers in 2023, with unit sales market share increased from 23.7% in 2022 to 25.7% in 2023.

Sales channels

In Australia, VDS products are sold through a number of channels, including pharmacies, grocery stores and other retail organizations as well as e-commerce platforms. This diverse sales channel mix allows us to mitigate customer risk and retain market share in the Australian VDS market.

According to Euromonitor data, the five largest VDS manufacturers in Australia by retail sales in 2023 were Kirin Holdings Co Ltd, H&H Group, Pharmacare Laboratories Pty Ltd, Sanofi and Haleon Plc, which collectively accounted for approximately 42.5% of total retail sales. Private-label sales remain low in Australia due to (i) competition among existing brands and (ii) consumer preference towards branded VDS products, which in our view was primarily attributable to greater consumer confidence in well-known brands.

Baby nutrition and care products market in China

Overview

The baby nutrition and care products market encompasses a wide range of product categories, such as (i) infant milk formula, and (ii) pediatric VDS products, which includes probiotic supplements.

Over the past decade, the market has achieved rapid growth principally due to favorable demographic trends and increase in disposable income of Chinese consumers along with growing consumers' health awareness. Over the past few years, the industry has been under pressure and recorded a decline in product sales, given the decreasing birth rate in China (for example, according to the National Bureau of Statistics ("**NBS**"), China's birth rate dropped from 12.95‰ in 2016 to 6.77‰ in 2022, with number of newborns declining to 9.6 million in 2022). However, in 2023, the birth rate stabilized at 6.39%. We expect the birth rate to remain stable and the industry to continue to experience premiumization driven by growing disposable income and consumers trade-up for higher quality products.

We believe the new generation of parents have growing knowledge of children's care, stronger health awareness and increasingly calling for safe and healthy food. In addition, we believe China has a growing middle class with rising disposable income, as well an increase in number of high-income families, and as a result a larger number of Chinese families have generally become able to afford higher-quality baby products at higher price points. We believe that these factors have led to a strong increase in the share of premium-priced products and resulted in parents becoming less price-sensitive when choosing products for their babies and showing high willingness to spend more on premium baby products with higher quality.

Overview of the baby food market

According to Euromonitor, from 2020 to 2023, the retail sales value of the global baby food market increased from approximately USD69.2 billion to USD70.6 billion, representing an approximate CAGR of 0.7% According to Euromonitor, the retail sales value of baby food in China has decreased from approximately USD28.5 billion in 2020 to approximately USD24.6 billion in 2023, representing an approximate CAGR of -4.7%.

China's baby food market has experienced considerable growth in 2010s, which was largely underpinned by the compounded impact of the economic development in China and the increase in disposable income in Chinese households along with growing health consciousness during the period. However, given the lower birth rate, the market size has been declining over recent years. According to Euromonitor, in 2023, infant milk formula products recorded approximately USD20.8 billion of retails sales value in China, representing approximately 84.6% of total retail sales of baby food in China. However, the demand for safe and healthy infant formula products remains strong alongside the ongoing R&D into infant formula products, which we believe has improved the quality of the products and increasingly allowed the products to provide a reliable source of nutrition for infants.

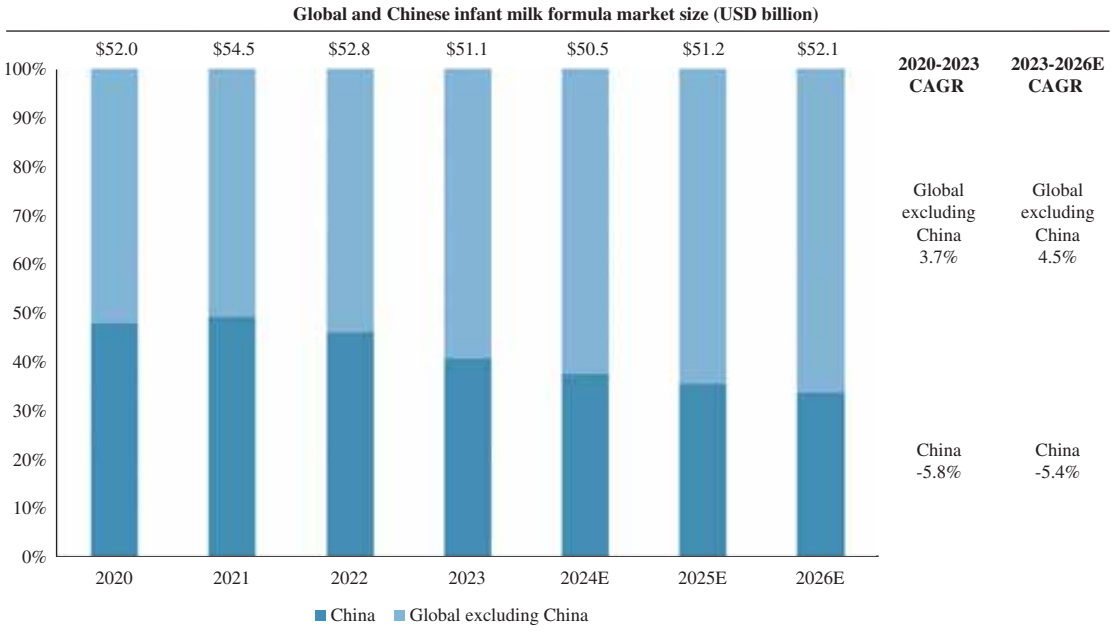
Infant formula market

According to Euromonitor, from 2020 to 2023 the retail sales value of global milk formula products decreased from approximately USD52.0 billion to USD51.1 billion, representing an approximate CAGR of -0.6%.

According to Euromonitor, the China infant milk formula market continues to be the largest globally constituting approximately 41% of the global infant milk formula market in 2023. The total retail sales value of infant formula in China market has decreased from approximately USD24.9 billion in 2020 to approximately USD20.8 billion in 2023, representing an approximate CAGR of -5.8% and it is expected to decline by approximately -5.4% CAGR from USD20.8 billion in 2023 to USD17.6 billion in 2026, with expected lower number of new-born babies.

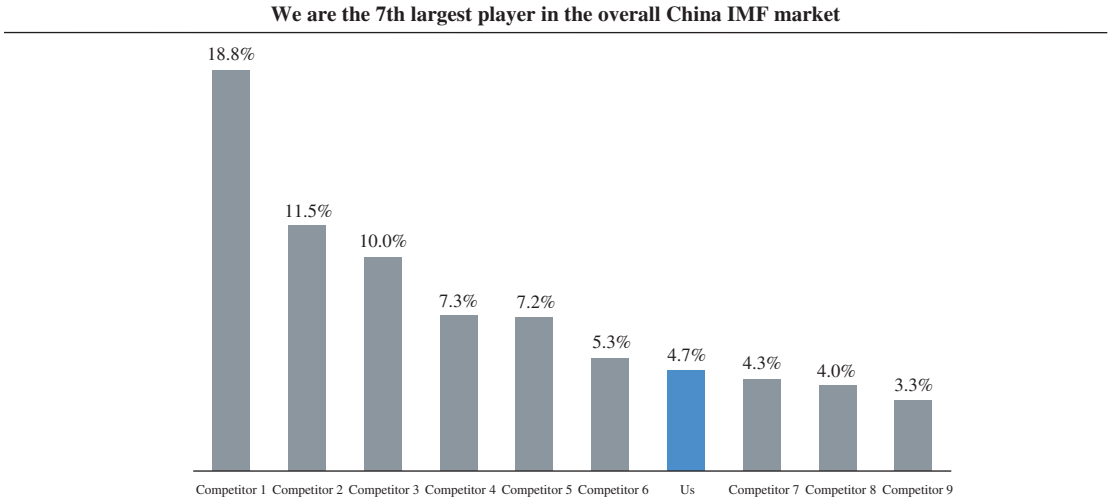
In recent years, China's regulatory environment for infant formula milk products has become clearer with the introduction of GB standards, new production permit review rules, CBEC regulations, and healthcare product registration procedures. Since March 22, 2023, all manufacturers must comply with the registered GB standards formula, and those who have not registered are prohibited from selling additional IMF products in China's normal trade market once existing stocks are exhausted. These changes have led to de-stocking by distributors and increased pricing competition in the mid-to-low end segment.

The following graph sets forth, for the periods indicated on historical and forecast basis, the growth rates of the Global and China infant formula market:



Source: Euromonitor International, Dairy Products and Alternatives, 2025 edition, Infant Milk Formula retail value sales in RSP, current prices, year-on-year exchange rates.

According to NielsenIQ, in 2023, the aggregate retail sales of the top 10-ranked companies by retail sales accounted for approximately 76.8% of the total China infant formula market, amongst which we ranked in seventh place. For the twelve months ended 30 June 2024, we had a market share of 4.7% by retail sales value of the overall China infant formula market, respectively. The following graph sets forth our market share in the overall China infant formula market for the twelve months ended 30 June 2024:

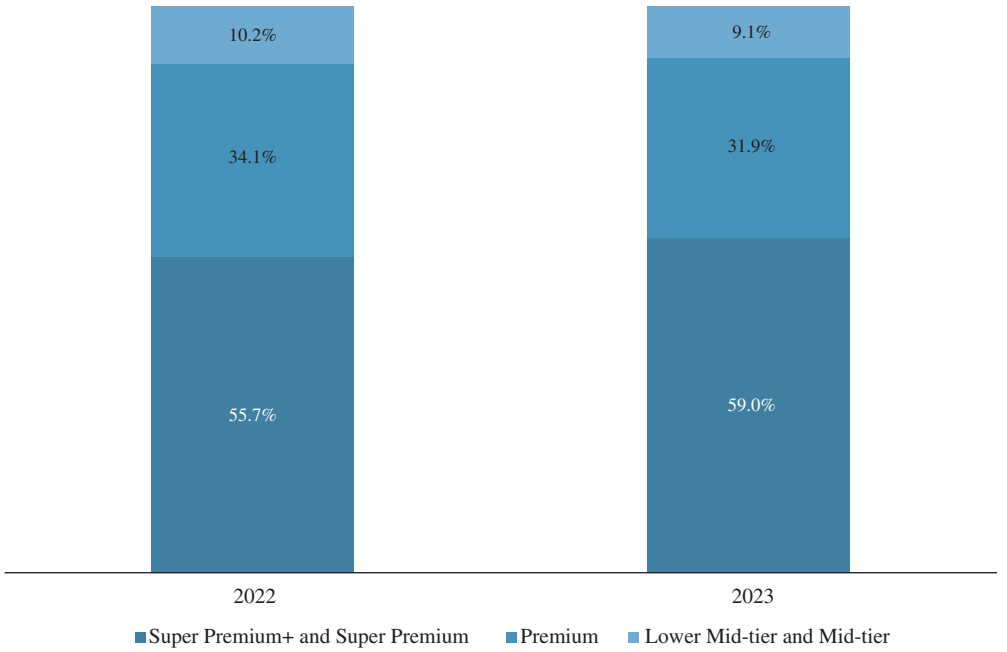


Source: NielsenIQ, market share data for the twelve months ended 30 June 2024

With increasing ability and willingness to spend on baby products, we believe Chinese consumers are becoming more health conscious and increasingly selective when choosing infant formula brands. As a result, the Chinese consumers are willing to pay higher prices for products, as those products are generally perceived as having better quality with more health benefits to infants.

According to NielsenIQ, the super-premium and super-premium+ tier segments have achieved growth rates significantly higher than total retail sales in the Chinese market, with their portion of total retail sales of offline infant milk formula products in China increasing from 55.7% for the year ended 31 December 2022 to 59.0% for the year ended 31 December 2023. The below chart shows the offline infant milk formula contribution and growth by price tier in China for the periods indicated:

China Offline IMF Contribution and Growth by Price Tier

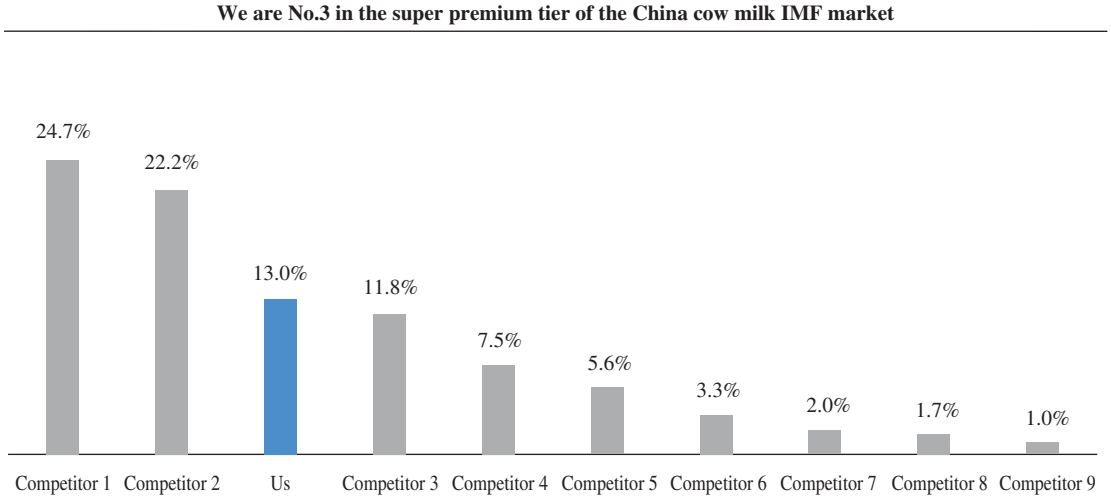


Source: NielsenIQ, Lower Mid-tier and Mid-tier (<RMB290/kg), Premium (RMB290-390/kg), Super Premium (RMB390-470/kg) and Super Premium+ (>RMB470/kg).

We believe that the super-premium and super-premium+ tier segment, where Biostime™ primarily operates, is currently serviced by a small number of providers, including multinational pharmaceutical conglomerates and selective Chinese providers who specialize in high-quality infant formula and compete primarily on product quality, whereas the lower-tier segments of the infant formula products in China are highly fragmented and there are a large number of producers manufacturing in local facilities who compete primarily on pricing.

According to NielsenIQ, for the year ended 31 December 2023 and for the twelve months ended 30 June 2024, we were the fourth and third largest participant in the super-premium tier with 12.4% and 13.0% market share by offline retail sales value, respectively. We expect continued demand for higher-quality foreign-sourced products, supported by increasing willingness to purchase products with high nutritional value, growing contribution from more premium segment (super premium and super premium+) and a constructive regulatory environment. The strong demand for the super-premium infant formula segments will benefit companies such as Biostime™ with an established foothold in such industry segments. The

following graph sets forth our market share in the super-premium tier by offline retail sales value for the twelve months ended 30 June 2024:



Source: NielsenIQ, market share data for the twelve months ended 30 June 2024. The super premium tier refers to Super Premium (RMB390-470/kg) and Super Premium+ (>RMB470/kg).

Sales channels

In China, baby food and care products are sold through several channels, including hyper/supermarket, non-grocery specialist and e-commerce platforms.

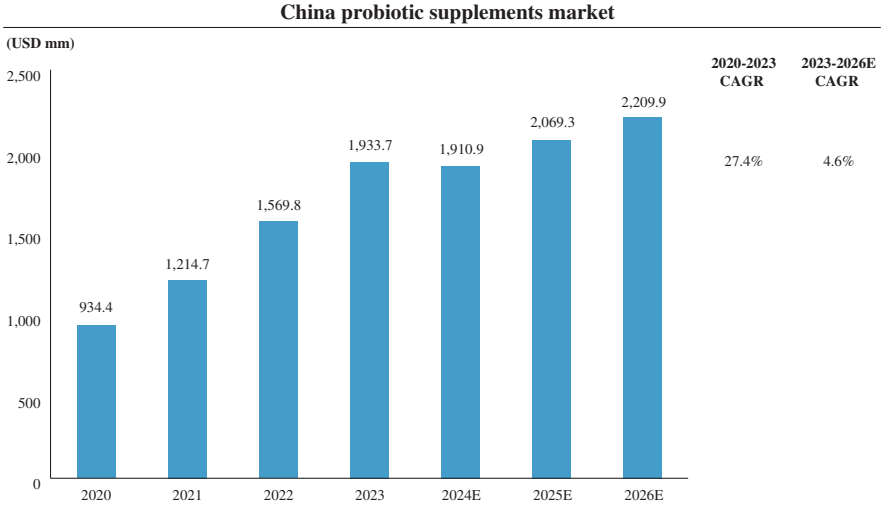
According to Euromonitor, sales of baby food through store-based retailing remains the largest channel from 2020 to 2023, while the e-commerce channel demonstrated significant growth during the same period. The store-based sales recorded USD15.2 billion in 2023 compared to USD20.3 billion in 2020, while the e-commerce channel sales recorded USD9.5 billion in 2023 compared to USD8.2 billion in 2020, representing a CAGR 5.1%. According to Euromonitor, for the year ended 31 December 2023, sales of baby food in China through store-based channel and e-commerce channel accounted for 61.5% and 38.5%, respectively, of total retail market sales of baby food in China.

Probiotic supplements market

According to the Food and Agriculture Organization of the United Nations and World Health Organization, probiotics are defined as "live microorganisms which, when administered in adequate amounts, confer a health benefit on the host". Probiotic supplement products are developed from probiotic strains. We believe that the preparation process of probiotic strains requires advanced technology and a number of experiments and testing processes within conditions that are strictly controlled.

The increase in health-conscious consumers across the globe is one of the key factors supporting the growth of probiotic products. According to the Thirteenth International Symposium on Probiotics and Health, the global probiotics market (including probiotic supplements and yogurt) is growing exponentially.

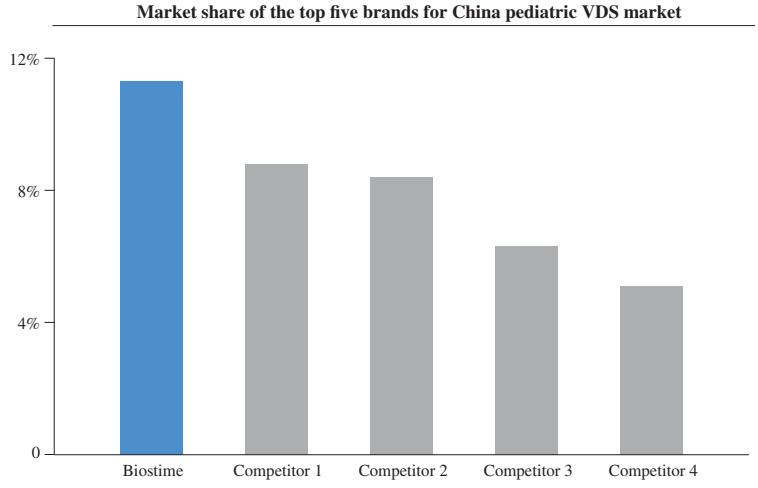
In China market, the increasing health awareness, especially after COVID-19, is one of the key factors driving the probiotics consumption growth. The China probiotic supplements market is expected to grow at a CAGR of 4.6% from 2023 to 2026, according to Euromonitor. The following table sets forth, for the periods indicated, the historical and forecast CAGR of the China probiotic supplements market:



Source: Euromonitor International, Dairy Products and Alternatives, 2025 edition, Probiotics Supplements retail value sales in RSP, current prices, year-on-year exchange rates.

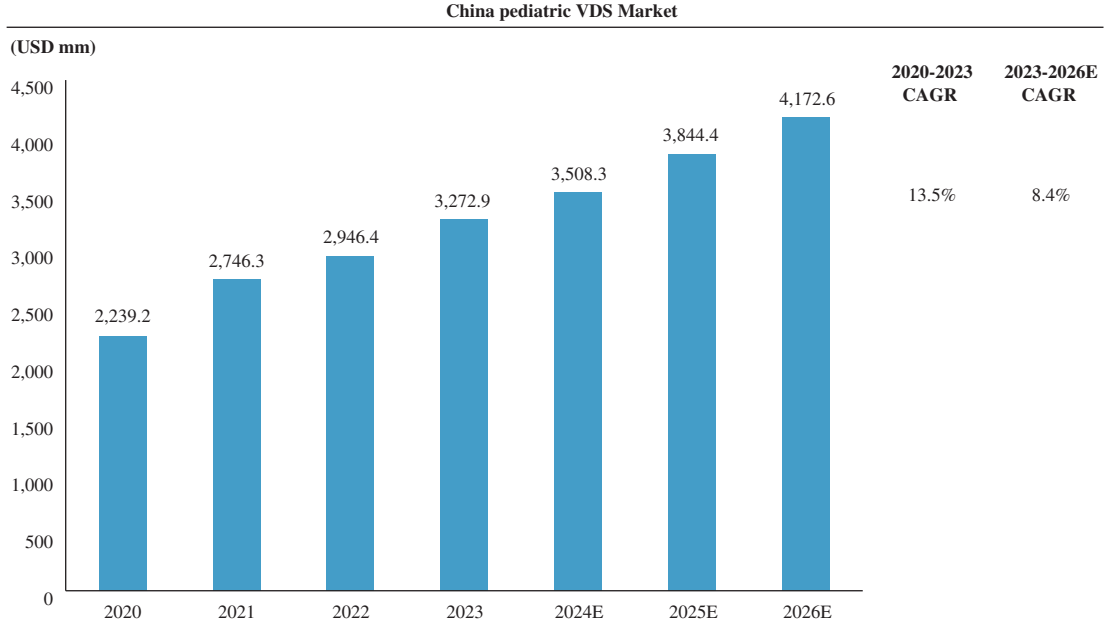
Probiotic supplement products are widely consumed by infants and young children in China, and these products are regularly marketed as health foods that can enhance their immunity. The development of the segment also closely tracks that of the wider health products segment in China market.

According to Euromonitor, Biostime™ is the top player with over 11% market share in China pediatric VDS market in 2023, with the retail sales of the China pediatric VDS market (which includes the pediatric probiotics) being approximately USD3.3 billion for the year ended 31 December 2023. The following chart presents the market share of the top five brands for China pediatric VDS market in 2023, highlighting Biostime is the leading player in the China pediatric VDS market:



Source: Euromonitor International, Dairy Products and Alternatives, 2025 edition, pediatric vitamins and dietary supplements market share.

This segment has grown at a CAGR of 13.5% from 2020 to 2023 and is expected to grow at a CAGR of 8.4% from 2023 to 2026. The following table sets forth, for the periods indicated, the historical and forecast CAGR of the China pediatric VDS market:



Source: Euromonitor International, Dairy Products and Alternatives, 2025 edition, Pediatric Vitamins and Dietary Supplements retail value sales in RSP, current prices, year-on-year exchange rates.

Pet nutrition and care market

The pet care market encompasses a wide range of categories of products, such as (i) wet and dry pet food, including pet treats and mixers, and other pet food and (ii) pet products such as cat litter, pet healthcare products and others.

The global pet care market is undergoing a period of rapid evolution, driven by a range of factors, including growing pet population, pet humanization and hence premiumization, changing demographics and the rise of digital technology. According to Euromonitor, the phenomenon of pet humanization is driving an upmarket shift in demand around the world and with the widespread premiumization trend, the major pet care players are focusing on developing the upper end of their offers. E-commerce is playing an increasingly important role in the distribution of pet care products in both developed and emerging markets.

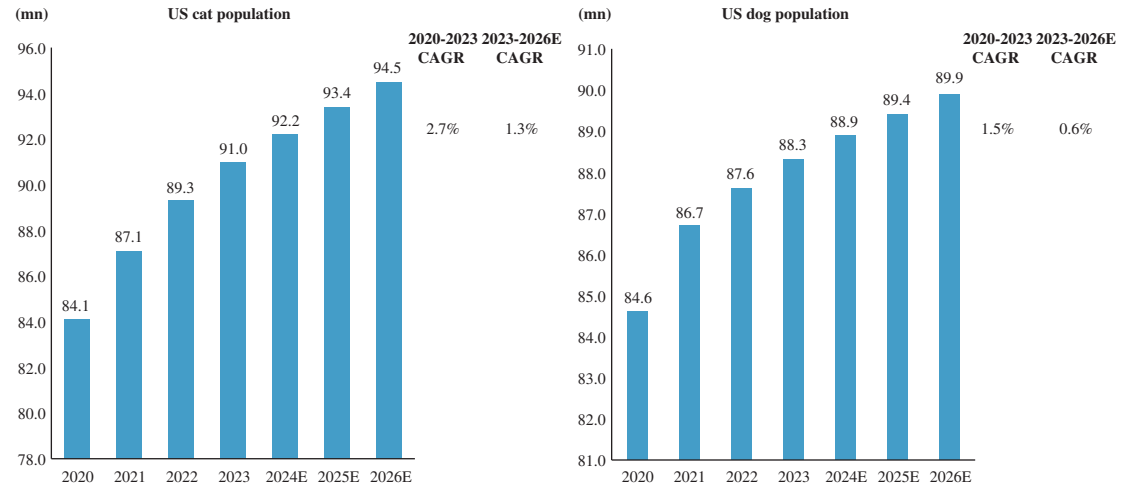
Pet nutrition and care market in the United States

According to data from Grand View Research, the United States is the largest pet market, accounting for more than 40% of global market value. According to the APPA National Pet Owners Survey (2023-2024 study), around 66% of the households in the United States own a pet, which represents 86.9 million households.

The United States pet nutrition market is expected to remain on a trajectory of unit price growth and premiumization going forward. This trend is especially noticeable in the premium dry and fresh food segments, where consumers are paying closer attention to ingredient lists. As the premiumization and humanization trends continue, consumers are increasingly looking beyond pet food when taking care of their pets and are integrating their pets' diet with supplements. Consequently, spending on pet nutrition products, such as dietary supplements, is likely to increase. According to Euromonitor, the pet care market in the United States was valued at approximately USD82.8 billion in 2023 and it is expected to continue to grow at a CAGR of 5.8% from 2023 to 2026.

According to Euromonitor, the dog population in the United States recorded 88.3 million in 2023 comparing to 84.6 million in 2020, representing 1.5% of CAGR. It is expected to reach 89.9 million in 2026, representing 0.6% of CAGR. The cat population in the United States recorded 91.0 million in 2023 comparing to 84.1 million in 2020, representing 2.7% of CAGR. It is expected to reach 94.5 million in 2026, representing 1.3% of CAGR. The following tables set forth, for the periods indicated, the historical and forecast CAGR of the dog and cat population in the United States:

Dog and cat population in the United States

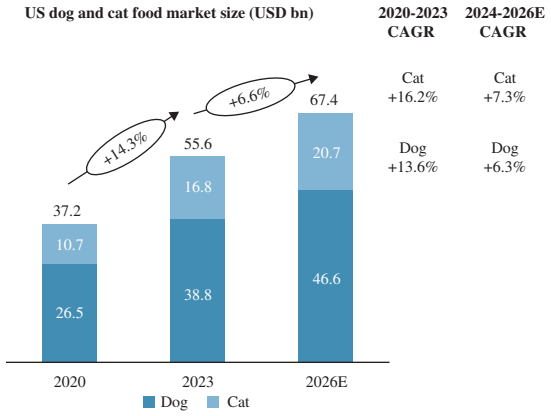


Source: Euromonitor International, Pet Care, 2025 edition, dog and cat population.

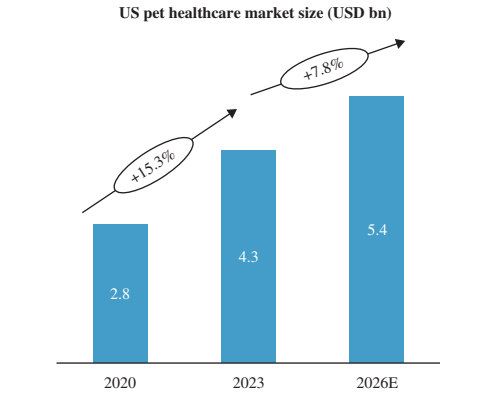
Nutrition for aging pets will be the primary focus. According to "Packaged Facts: Pet Population and Ownership Trends in the United States. 4th Edition", the pet population is aging, as 47% of the dogs and 43% of cats in the United States are seniors (more than 7 years old). Pet dietary supplements is therefore expected to continue to grow as consumers look to these products to maintain their pets' health. Pet dietary supplements can contain different ingredients, such as probiotics and turmeric, and be geared towards a variety of functions, from joint health to itch relief, or multivitamins.

The following tables sets forth, for the periods indicated, the historical and forecast CAGR of the dog and cat food market in the United States, highlighting positive outlook, with cat food outpaced the overall growth:

US dog and cat food market is showing positive outlook, with cat food outpaced the overall growth



Pet healthcare food market is expected to grow driven by increasing aging pets



Source: Euromonitor International, Pet Care, 2025 edition, dog and cat food and healthcare retail value sales in RSP, current prices, year-on-year exchange rates

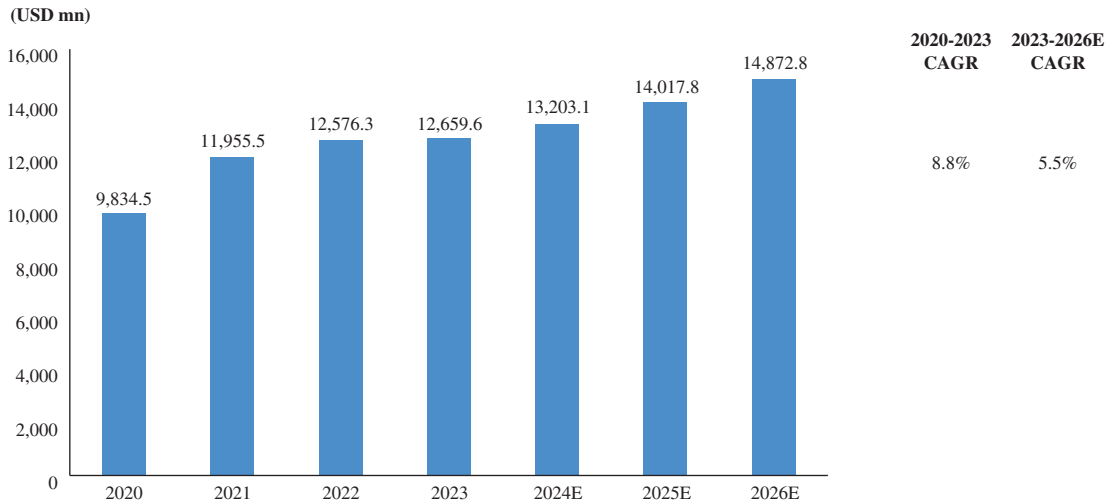
Sales channel

In the United States, pet food and pet products are sold through a number of channels, including grocery retailers, pet superstores and online retailing e-commerce. In 2023, according to Euromonitor, 38.9% of pet care by retail value was distributed through the e-commerce channel while grocery retailers accounted for 34.1% and pet superstores accounted for 18.7%.

Pet nutrition and care market in China

According to Euromonitor, the China pet care market was valued at approximately USD12.7 billion in 2023. Pet care is expected to sustain high growth at a CAGR of 5.5% from 2023 to 2026, with a focus on nutrition and healthcare. The following table sets forth, for the periods indicated, the historical and forecast CAGR of the China pet care market:

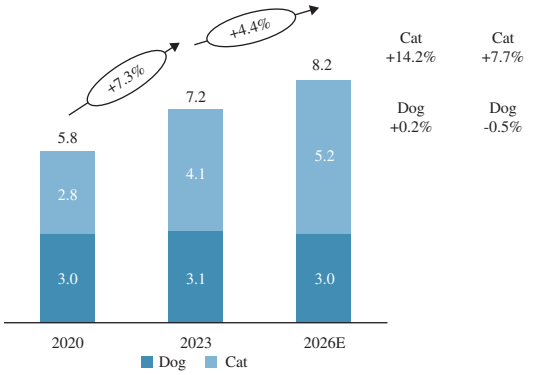
China pet care market



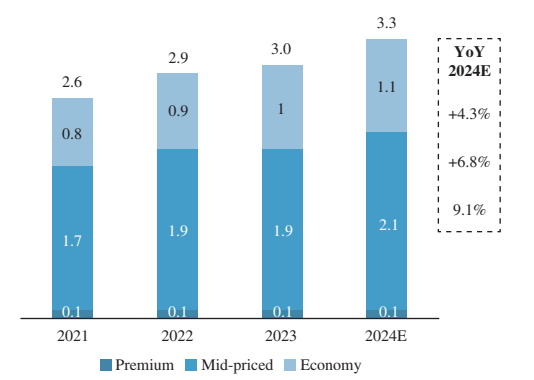
Source: Euromonitor International, Pet Care, 2025 edition, pet care retail value sales, current prices, year-on-year exchange rates.

The China pet food market, especially the cat food sub-category, is on a promising growth trajectory, fuelled by the rise in young pet owners and premiumisation trends. The popularity of cats among the younger generation is contributing to a steady expansion of the cat population. The dry cat food market has grown due to the stabilization of the supply chain, cat owners' increased caution regarding their pets' sensitive digestive systems, and their willingness to invest in premium products. The following tables set forth, for the periods indicated, the historical and forecast CAGR of the China dog and cat food market, as well as the China dry cat food market segment:

China dog and cat food market is showing positive outlook, driven by cat category



China dry cat food market, our key segment, is showing strong growth momentum



Source: Euromonitor International, Pet Care, 2025 edition, retail value sales in RSP of dog and cat food, as well as dry cat food, constant prices, year-on-year exchange rates

The demand for pet healthcare is on the rise, driven by the strengthening of the human-pet relationship and a growing awareness of scientific pet care. The concept of preventive care is gaining popularity, leading to increased demand for pet healthcare products. Functional pet supplements, such as fish oil and probiotics, are becoming particularly popular among pet owners in China. Solid Gold new pet supplements SKU, fish oil, ranked No. 2 in the cat fish oil category on Tmall during the 2024 Double 11 shopping festival.

Sales channel

In China market, pet food and pet products are mainly sold through online retailing e-commerce, offline specialty stores and grocery retailers. According to Euromonitor, e-commerce was the largest distribution channel in 2023, accounting for 57.2% in terms of total value. Online platforms have achieved robust growth, involving not only established retailers such as Tmall and JD, but also third-party delivery service providers, such as Meituan and Eleme which offer on-demand delivery service. This trend is expected to continue in the future.

BUSINESS

Overview

We are an all-round premium nutrition and wellness provider for the entire family. We provide high-end adult, pediatric and pet nutrition and care products through our seven major brands — Swisse™, Biostime™, Zesty Paws™, Solid Gold™, Dodie™, Good Goût™ and Aurelia™ and have established market positions in China, Australia, New Zealand, the United States, France, Italy, Hong Kong, Thailand, Malaysia, the United Kingdom and increasing market recognition in other international markets.

We are committed to providing high-end, scientific nutrition and health solutions for the whole family. Adhering to the mission of making people healthier and happier, we are committed to become a global leader in premium nutrition and wellness through our premium products and aspirational brand. Our business operations consist of three strategic segments: (i) adult nutrition and care which comprises the distribution of vitamins, health supplements, skin care and sports nutrition products for adults; (ii) baby nutrition and care, divided into three sub segments — infant formulas for children under seven years old and milk formulas for expectant and nursing mothers, pediatric probiotic and nutritional supplements in the form of sachets, capsules and tablets for infants, children and expectant mothers, and other pediatric products; and (iii) pet nutrition and care which comprises the production of food and health supplements for pets.

Our adult nutrition and care products are sold under our Swisse™ and Aurelia™ brands and made available globally, with a principal presence in Australia, New Zealand, China, Italy, Hong Kong SAR, Singapore, Thailand, Malaysia and the United Kingdom. Biostime™, Dodie™ and Good Goût™ are currently our principal brands for selling our baby nutrition and care products. These products are principally sold in China, France, Australia and Hong Kong SAR. Zesty Paws™ and Solid Gold™ are the principal brands under which we currently sell our pet nutritional supplements and pet food products primarily in the United States and China.

We are an established and leading provider of VHMS in China and Australia, with a growing presence in international markets, such as Italy, Singapore, Hong Kong, Thailand, India and Malaysia. According to Early Data, in China, Swisse™ was ranked No. 1 in terms of sales value in the VHMS products under the health products category on the Alibaba, JD, VIP, Suning, Kaola and Amazon platforms combined for the year ended 31 December 2023 and for the twelve months ended 30 June 2024, with market shares of 8.1% and 8.0%, respectively. According to IQVIA™, Swisse holds a leading position in Australia. Swisse has become the No. 1 brand in the Australian market with an increased market share as of 31 December 2023 of 13.7% and as of 30 June 2024 of 13.6%, having earlier passed the AUD1 billion global sales milestone in the twelve months to 30 June 2023, a three-time sales increase since we acquired the brand in 2015. Additionally, we have maintained our high market share rankings in other territories, proudly securing No. 1 market share position in the beauty VHMS, liver health and men's health markets in Singapore as of 30 June 2024, according to research statistics by Nielsen, and No. 2 market position in beauty VHMS in Italy as of June 2024, according to research statistics by IMS IQVIA.

We are also an established and leading provider of baby nutrition and care products in China. Our infant formula offering is positioned at the premium end of the market and targets educated consumers with a relatively high disposable income. For the year ended 31 December 2023 and for the twelve months ended 30 June 2024, we were the fourth and third largest participant in the super-premium tier with 12.4% and 13.0% market share by offline retail sales value, respectively. We believe we were a pioneer in the children's probiotics market in China. We were the first company in China to register probiotics as health food supplements for infants and children in 2002 and have established a leading market position and high brand recognition since then. According to Euromonitor statistics certification, Biostime™ is the leading player of children pediatric probiotic and nutritional supplements in the world.

We are a pioneer and market leader in the pet food and supplement market in the United States and China. Zesty Paws is a leading online premium pet supplement brand and highly disruptive category pioneer in the United States, recognized as one of the America's well-established pet supplement brands. Solid Gold is positioned as the United States' first holistic pet nutrition brand, which has established a strong brand image, offering a robust range of premium and high-quality nutrition solutions for cats and dogs. As of 30 June 2024, Solid Gold is the No. 2 brand in China's online premium cat dry food category. This success is complemented by the launch of innovative new products as we expand into the rapidly growing pet supplement market, according to research by SmartPath.

In recent years, we are also increasingly committed to our sustainability targets and practices for which we received market recognition. We believe that conducting business responsibly aligns naturally with our purpose, and indeed over the past year both internal and external forces have reinforced stronger progress on our sustainability agenda and our commitment to pushing the boundaries. In this regard, H&H is regularly evaluated by Environmental, Social and Governance ("**ESG**") rating agencies. In 2023, MSCI ESG elevated our ESG performance ratings from 'A' to 'AA' and we saw our Sustainability Performance rating upgraded from 'A' to 'A+' by the Hong Kong Quality Assurance Agency. These upgrades demonstrate our firm dedication to delivering sustainable value. We are very pleased and proud of these ratings and recognition of our outstanding sustainability performance. In November 2023, we achieved a significant milestone in our sustainability journey by having five of our entities, including China, Australia & New Zealand, North America, the United Kingdom and France officially certified as B Corporations. In November 2024, our entire group were certified as a B Corporation. This is a momentous achievement and testament to the Group's commitment to ESG. Over the years, our sustainability approach has evolved to include a greater focus on Governance (alongside our existing areas of Good Health, Our Footprint on the Planet and Honoring Human Rights and Fairness). We have increased Board and shareholder engagement on ESG topics and incorporated ESG into our executive performance reviews. In August 2022, we established our ESG committee, showcasing the Group's commitment to further embed sustainability into our strategy and advancing ESG-related harmonized standards, policies and procedures (where possible) across our brands, entities and regions. Our efforts in ESG brought us various awards, including multiple Best Places to Work awards and the Annual Emerging Responsible Enterprise in China. Notably, we entered into a syndicated facilities agreement providing the Omega Facilities with an aggregate principal amount of USD560 million on 30 August 2024 to refinance all our existing loan facilities. The margin of the Omega Facilities may be adjusted based on our Group's corporate crediting rating and the ESG Targets (as defined in the Omega Syndicated Facilities Agreement) we achieve. Our Group's commitment to ESG is also seen through our submission of carbon emission reduction targets, which we submitted to Science Based Targeted Initiative ("**SBTi**") for validation. More recently, Swisse Earth, our product, has been awarded the bronze medal for Packaging Innovation and Design Awards.

Our contribution to the health of the community extended far beyond our financial and product donations made during the year to support those most at-risk and suffering. During the past few years, we reached more than one million people with health initiatives and in 2023 our community investment was USD3.40 million, which represented a 12.8% increase compared to the end of 2022. From an environmental perspective, we have also reached important milestones. We integrated our Raw Material Sourcing Policy (developed in 2019) into our innovation process. Since 2021, we cover 100% of our operations across our owned sites with renewable energy. In December 2023, SBTi validated our near-term science-based carbon emission reduction targets, bringing accountability to our climate action plan. Receiving this validation is an important milestone for H&H.

For the years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2023 and 2024, we generated revenue of RMB11,547.8 million, RMB12,775.9 million, RMB13,926.5 million (USD1,916.4 million), RMB6,980.8 million and RMB6,692.1 million (USD920.9 million), respectively, and gross profit of RMB7,248.0 million, RMB7,703.5 million, RMB8,294.3 million (USD1,141.3 million), RMB4,262.4 million and RMB4,072.3 million (USD560.4 million), respectively.

Our Strengths

We believe that the following strengths contribute to our competitive position in the adult nutrition and care, baby nutrition and care as well as pet nutrition and care markets:

We operate in large and growing industries supported by favorable demographic and consumer trends.

We believe that our business growth and market competitiveness will be supported by the growing trend of premiumization of nutrition and care products, growing health and wellness awareness of our consumers, as well as the growing consumer recognition of our brands.

Adult Nutrition and Care Market

We believe that growth in our key adult nutrition and care markets such as those in China and Australia is underpinned by the growing health and wellness trend among consumers, particularly as consumers continue to progressively shift from a remedial approach to a more preventative approach to their health and the increasing elderly population. These in turn will drive an increasing demand for immune, beauty nutrition, and general wellness supporting products.

According to Euromonitor, the global vitamins and dietary supplements market increased from USD119.2 billion in 2020 to USD132.4 billion in 2023, representing an approximate CAGR of 3.6% and is expected to grow at a CAGR of 4.6% from USD132.4 billion in 2023 to USD151.6 billion in 2026. Based on Euromonitor, the VDS market in China grew at a CAGR of 6.7% over the period from 2020 to 2023 and it is expected to grow at a CAGR of 4.0% from 2023 to 2026, driven by the growing consumer demand and higher health consciousness post COVID-19, according to Euromonitor. In addition, online sales increased from 42.9% in 2020 to 55.9% in 2023 of total sales, representing an approximate CAGR of 16.5%.

Baby Nutrition and Care Market

The baby nutrition and care market in China, despite the recent challenges, is supported by an increase in health awareness and rising disposable incomes. The new generation parents have growing knowledge of children's care, stronger health awareness and increasingly calling for healthy and high-quality food and a growing number of Chinese families have gradually become able to afford higher-quality baby products at higher price points, which we believe has been driving the strong increase of the market share of premium products in China. These trends support our belief that Chinese consumers are now more health conscious and selective when choosing infant formula brands.

According to Euromonitor, the infant formula market in China is the largest globally constituting approximately 41% of the global infant formula market in 2023. Based on Euromonitor, the total retail sales value of infant formula in China has decreased from approximately USD24.9 billion in 2020 to approximately USD20.8 billion in 2023, representing an approximate negative CAGR of 5.8% and it is expected to decline by an approximate negative CAGR of 5.4% from USD20.8 billion in 2023 to USD17.6 billion in 2026, with expected lower number of new-born babies.

Despite the increased competitive intensity amid the transition to new 'GB standards', which posed significant challenges to the China IMF market, we have been expanding our market share in the overall super premium tier of China IMF market in line with our long-term strategy and successfully launched each of these GB standards compliant series in 2023. According to NielsenIQ, for the year ended 31 December 2023 and for the twelve months ended 30 June 2024, we were the fourth and third largest participant in the super-premium tier with 12.4% and 13.0% market share by offline retail sales value, respectively.

We are also well-positioned to gain share in the fast-growing infant & kids supplement market, focusing beyond our core range of probiotics products for gut health. We observe that the probiotics segment has a relatively low category user penetration and Biostime has demonstrated a strong brand influence in this segment. According to search data from the Little Red Book platform (小紅書數據中台), the monthly search index for the brand keyword "Biostime Probiotics" is, on average, two to three times higher than that for category keywords such as "Pediatric Probiotics" and "Infant Probiotics". This indicates that we stand out prominently in the category of nutritional products, highlighting our unique brand advantages and market position. Leveraging on this, we will expand our probiotics products to address consumer health concerns beyond gut health such as allergy and nasal comfort. In addition to focusing on gut health and allergy, we cater to broader immune segment as our core category. We also derive opportunities from high-growth segments such as the height growth, brain development, eyes protection and gummy segment.

Increase in health-conscious consumers across the globe, especially after the pandemic, is also one of the key factors supporting the growth of probiotic and other nutritional supplement products.

Pet Nutrition and Care Market

We believe the growth of our key pet nutrition and care markets such as those in the United States and China is driven by a range of factors including pet humanization, changing demographics and the rise of digital technology. Pet supplement market shows great growth potential as adoption rate rises, consumers take better care of their pets and, pet nutrition premiumization, as well as the trend of humanizing pets continue. In addition, e-commerce is playing an increasingly important role in the distribution of pet care products in both developed and emerging markets.

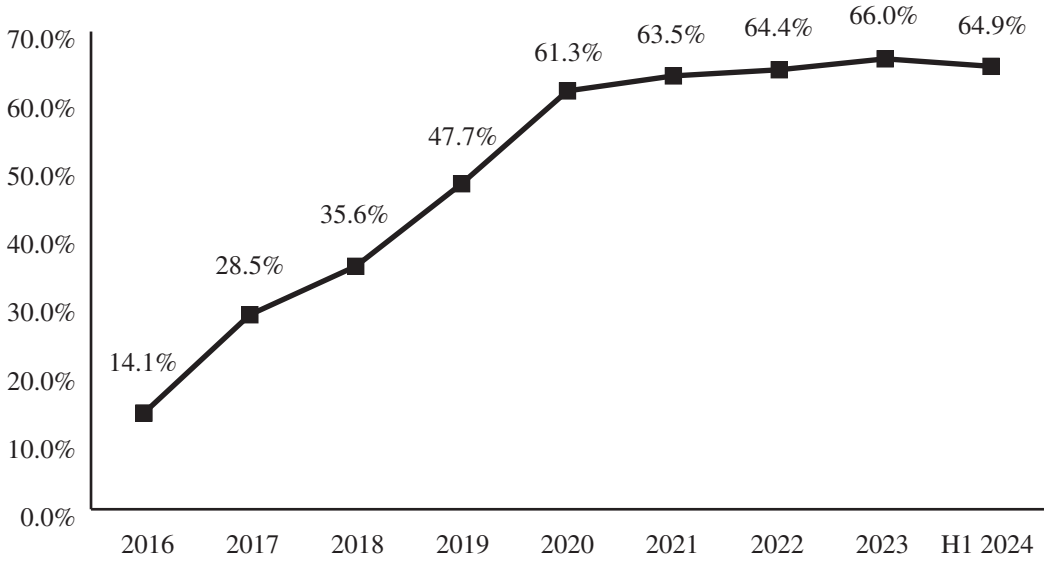
According to Euromonitor, pet care market in the United States is valued at approximately USD82.8 billion in 2023. Pet care is expected to sustain high growth with a focus on nutrition, humanization and sustainability at a CAGR of 5.8% from 2023 to 2026, according to Euromonitor. The pet care market in China is valued at approximately USD12.7 billion in 2023 and is expected to sustain high growth with a focus on nutrition and healthcare at a CAGR of 5.5% from 2023 to 2026. We understand the United States has a strong and sizeable pet supplement market, which showed steady increase from 2021 to 2023.

We have established market leading positions that provide a sustainable competitive advantage.

We hold established and leading market positions the Chinese and Australian VHMS market, in the Chinese infant formula and probiotics markets, in and in the American pet supplement market. We believe that we hold these established market positions due to (i) consumer trust in our brands supported by the strength of our proprietary marketing model, (ii) our long-standing and established presence in profitable distribution channels, (iii) our reputation for offering high quality products with premium ingredients and best in class manufacturing processes, and (iv) our product innovation and development activities that help us differentiate our consumer proposition. We believe these factors collectively represent a unique competitive advantage which will protect our strong market leading position.

We are an established and leading provider of VHMS in China and Australia, with a growing presence in international markets.

The following chart sets forth, for the periods indicated, the sales contribution of adult nutrition and care products in China to our total revenue for adult nutrition and care products:



According to Early Data, in China, Swisse™ was ranked No. 1 in terms of sales value in the VHMS products under the health products category on the Alibaba, JD, VIP, Suning, Kaola and Amazon platforms combined for the year ended 31 December 2023 and for the twelve months ended 30 June 2024, with market shares of 8.1% and 8.0%, respectively. According to Early Data, Swisse™ brand was also ranked No. 1 in the bone & joints health, beauty from within, heart health, detox & digestion, men's health products, women's health products, NAD+/NMN supplements and thistle products on these platforms for the twelve months ended 30 June 2024. During the Double 11 event in 2024, Swisse achieved double-digit GMV growth and ranked No. 1 in all major traditional platforms. In Italy, we were also No. 2 in beauty VHMS for the year ended 31 December 2023, according to IQVIA™.

According to IQVIA™, Swisse has become the No. 1 brand in the Australian VMS category, by unit sales in Pharmacy and Grocery for the year ended 31 December 2023 with 13.7% market share. As of 31 December 2023, we held a leading and growing position in a number of key "Vitamin and Supplement" segments in Australia. For example, for the year ended 31 December 2023, Swisse was the No. 1 brand in the sub-categories including "Beauty from Within", "Detox", "Multivitamins" and "Muscle Support & Recovery" in the Australian VMS market, in terms of market share of scanned retail value sales in the "Australian Pharmacy and Grocery" category.

Our IMF business in China faced challenges, primarily from intensified competition and prolonged discounting as the market clears old 'GB approved' stock. This impacted our sell-in rates, profitability and market share. We anticipate improved results in the coming years as the industry transitions past the 'new GB standards' and more competitors exit the market.

According to NielsenIQ, for the year ended 31 December 2023 and for the twelve months ended 30 June 2024, we were the fourth and third largest participant in the super-premium tier with 12.4% and 13.0% market share by offline retail sales value, respectively. Based on NielsenIQ, we were also No. 3 in the overall super-premium tier of the China IMF market with a market share of 13.0% for the twelve months ended 30 June 2024.

In China, based on Kantar Worldpanel, Biostime was the No. 1 pediatric probiotics brand for the twelve months ended 30 June 2024. In France, according to GERS, Biostime was the No. 1 brand in the organic IMF market and the goat milk IMF market in French pharmacies with a market share of 40.6% and 43.7% respectively for the twelve months ended 30 June 2024. Biostime, Dodie and Good Goût were also recognized as "Entreprise à Mission"(purpose-led company) in France.

Within our PNC segment, Solid Gold specializes in pet gut health and is positioned as America's first holistic pet nutrition company, while Zesty Paws™ is a leading premium pet supplement brand and highly disruptive category pioneer in the United States. We expect that our PNC product portfolio will accelerate our growth in this promising business segment through both online and offline penetration in the United States. In China, according to SmartPath, Solid Gold maintained its No. 2 position for the twelve months ended 30 June 2024 in the premium dry cat food market, amid its shifting product focus. We have made steady progress in this process, with a higher contribution of new high-margin pet food and supplement products to our total PNC revenue in China. We also hold 40 domestic product licenses to further fuel growth in normal trade channel as of June 2024.

We are recognized for offering high quality, innovative and proven products.

We source high quality premium raw materials and manufactured products principally in Western Europe, including France and Denmark, as well as Australia and North America. We adopt a rigorous approach when selecting our ingredients and material inputs for our products to ensure they are premium and of the highest quality and efficacy standards. Our products are manufactured based on specific design specifications and formulas utilizing manufacturing best practices and leading technologies and we regularly audit our manufacturers to ensure high quality standards are maintained. Furthermore, we have made selective investments in some of our suppliers in order to gain greater integration of manufacturing and supply. Our adult nutrition products are manufactured under license by Therapeutic Goods Administration (the "**TGA**") and meet Good Manufacturing Practice (the "**GMP**") requirements, meaning our adult care and nutrition products are manufactured to pharmaceutical grade standards and our baby nutrition and care products are manufactured in accordance with applicable European Union food hygiene standards and under approval by China National Certification and Accreditation Administration. In addition, our organic products meet both European and Chinese standards for organic products. As part of the manufacturing process our products are subject to safety checks including a five-layered food safety check for our infant formulas which involves a series of comprehensive quality control tests by (i) our suppliers, (ii) our own laboratories in France, (iii) European customs authorities, (iv) Chinese customs authorities, and (v) our in-house laboratory in China. For our adult nutrition products our ingredients are vetted by a rigorous quality testing process that exceeds the regulatory minimums in all jurisdictions where we operate, and we utilize numerous quality assurance tests during the main stages of production. In addition, we work with contract manufacturers in connection with the establishment of 'process validation' protocols to monitor and ensure the quality of the full range of VHMS products from both quantitative component and visual/physical stability testing perspectives. Our pet nutrition and care products undergo rigorous testing for both safety and nutritional aspects based on agreed upon specifications. In addition, we routinely test raw ingredients to ensure quality, safety, and nutritional specification are met. Through this iterative process, we develop products that are safe, can consistently meet the guaranteed analysis, and are Association of American Feed Control Officials (the "**AAFCO**") and/or National Animal Supplement Council (the "**NASC**") compliant.

New product development and innovation is important to maintaining our leading competitive position. We believe that our product innovation and development efforts support and improve our ability to introduce innovative, technologically advanced new products and materials and improve our production processes to meet market demands. Consumers regard scientific advancement as a factor of importance in making a purchasing decision. We continuously invest in improving our R&D capabilities with a focus on joint development and/or cooperation with our suppliers in addition to our independent research activities in Guangzhou, Australia and Europe and regularly utilize clinical trials and real-world studies to support the efficacy of our products. Our R&D for our products is focused on supporting our established track record of continuously providing an offering of high quality, premium and innovative products which are scientifically validated and responsive to consumer demand. We opened the first European office of Biostime Institute for Nutrition and Care ("**BINC**") in Geneva, Switzerland in May 2017. We believe that the BINC will offer sustainable scientific support that underpins the premium quality of our products while boosting our R&D capacity through partnership with world class research institutions in Europe.

We work in close consultation with an advisory panel that includes leading academics, scientists and clinicians in the field of integrative medicine and these panel members provide expert advice, including written reports that validate our formulations. Furthermore, to ensure the health benefit claims behind our adult care and nutrition products are backed by hard science, we have partnered with numerous research organizations, including Pharma to Market and Advanced Regulatory Wellness Solutions, which independently review our evidence supporting the claimed health benefits. In the PNC segment, we are a highly disruptive category pioneer in pet supplements through our brand Zesty Paws™. We work closely with key suppliers, contract manufacturers, and strategic partners to identify new ingredients and/or technologies to develop and manufacture the best possible products.

Our brands have strong awareness, enhanced by our proven and effective marketing and proprietary consumer relationship systems.

We believe that we have proven and effective marketing models that successfully promote sales of our products. Our marketing strategy focuses on building and maintaining brand awareness of products as well as targeted marketing to promote consumer engagement, acquisition and retention. Our marketing activities also allow us to create the aspirational image of a global wellness premium brand.

For our adult nutrition and care products, we focus our marketing activity on our offering of premium, proven and aspirational products that have been produced using world class raw materials in accordance with Australia's TGA standards, rigorous quality control processes and backed by science. We promote our adult nutrition and care products and our Swisse™ brand through various channels such as digital, in-store, print and OOH. We pursue a digital first approach and are expanding our presence in e-commerce platforms (Amazon, Lazada, Shopee etc.) as well as actively working with social media (Facebook, Instagram, TikTok etc.) in order to build brand awareness, engagement and conversion.

We have partnerships with brand ambassadors to support growth ambitions in existing markets and the expansion into new markets by boosting brand awareness. We actively engage local wellness and beauty ambassadors and influencers in our key markets, for example, in Australia, actress Francesca Hung and champion boxer Harry Garside, and in China, actress Dilraba, actress Qin Lan and the tennis star Zheng Qinwen to stay relevant to our target audience and build the strong image of the brand.

The effectiveness of this marketing model has allowed us to sustain our position a leading VHMS brand in China and Australia, and grow footprint in global markets such as Hong Kong, Italy, Singapore, Malaysia and Thailand. We believe our marketing model maximizes the effectiveness of our marketing efforts, which are targeted at increasing brand awareness, driving purchases and trials, and growing market share in our key market segments.

We promote our baby nutrition and care products both online and offline, primarily through key digital platform such as Little Read Book and Douyin, as well as baby specialty stores. Our targeted marketing campaigns concentrate on consumer education and interaction which uses our sophisticated and proprietary consumer relationship management ("**CRM**") system to track purchases and spending habits via our Mama100 membership program. The Mama100 membership program is an integrated database marketing platform, which provides value added services for members including a mobile application, a WeChat platform, a monthly magazine, consumer events, a dedicated call center and an online forum for members to obtain and share parenting information, advice and experiences. Through our Mama100 membership program we aim to identify new consumers and solidify relationships with existing consumers. We believe that developing strong relationships with our existing consumers is particularly important where the life cycle of each IMF consumer is relatively short (the period of a baby's infancy) to allow us to maximize sales of baby nutrition and care products as well as cross selling opportunities.

For our pet nutrition and care products, our marketing efforts focus on promoting the premium, high-efficacy and aspirational brand image and maintaining a highly engaged and loyal customer base. We also grow our consumer awareness online as e-commerce is playing an increasing role in sales and distribution. For the 12 months ended 31 December 2023, our Zesty Paws™ brand had a higher-than-average NPS score and accumulated more than 350,000 5-star ratings and reviews on key e-commerce websites, according to AskNicely.

We have a large and diversified distribution network that provides scale and broad consumer access.

We have an extensive distribution network across China, Australia, the United States and internationally, which we believe provides us with a strong competitive advantage.

We distribute our adult nutrition and care products in Australia, New Zealand, the United States, Europe, and Asia through pharmacies, grocery and health food stores and online. We are expanding our active sales presence in the Chinese market by leveraging our extensive online and offline distribution capabilities. China active sales accounted for over half of total ANC revenue in the six months ended 30 June 2024, which has increased steadily since 2016. We also offer our adult nutrition and care products through our Mama100 membership program. In March 2016, we launched online shops on several Cross Border E-Commerce (the "**CBEC**") platforms, including a flagship store on Tmall.HK, to promote the sales of our adult nutrition and care products in China. In April 2017, we launched our normal trade business of Swisse™ branded products in China. As of 30 June 2024, 66 SKUs were available for sale in 64,570 retail stores in Chinese normal trade market.

In China, our offline distribution network has grown through the adoption of a multi-format distribution strategy targeting a broad channel mix of baby specialty stores and retail sales outlets such as supermarkets and local pharmacies. for the year ended 31 December 2023 and the twelve months ended 30 June 2024, we were the fourth and third largest participant in the super-premium tier with 12.4% and 13.0% market share by offline retail sales value, respectively. We believe that our use of baby specialty stores in China, through which we offer all of our baby nutrition and care products, provides competitive advantages as consumers use these stores as a "one-stop shop" for baby products. Accordingly, we believe that the baby specialty store distribution channel which we adopted relatively early compared to our competitors, offers us significant cross-selling opportunities. In addition, we believe that the baby specialty stores in tier 3, tier 4 and tier 5 cities in China are under-penetrated by us, offering significant growth prospects for this channel. Furthermore, we believe we were the first supplier of baby nutrition and care products to make our products available through pharmacies. Currently, our baby nutrition and care products are sold in approximately 11,274 pharmacies in China. In addition, we monitor the flow of our baby nutrition and care products real-time via the bar code scanners that are installed in the warehouses of our regional distributors. Our ability to track inventory and sales records allows us to track products from the distributor to retailer to consumer. This system provides us with valuable consumer data, logistics intelligence and control of each product batch at every point in the distribution chain. Furthermore, we expect that we will be able to leverage this distribution system to enhance distribution of our adult nutrition and care products in China. Our baby nutrition and care products are also sold to our consumers through online sales in China, we work with established e-commerce platforms such as Alibaba, JD.com, VIP.com and Kaola. We also employ an independent, specialized team to manage all e-commerce channels including business-to-consumer (B2C) and consumer-to-consumer (C2C).

We distribute our pet nutrition and care products in the United States through major online channels including Amazon, Chewy, PetSmart and PetCo. We are also expanding distribution across major supermarket chains in the United States including Walmart, Target, PetSmart and expanding into Sam's Club, Costco, Petco and Meijer in the first half of 2024. As of 30 June 2024, Zesty Paws™ and Solid Gold were present in more than 18,000 stores and 4,800 stores respectively in North America.

In China, we officially launched Solid Gold online and offline during 2021. Solid Gold is sold through all major e-commerce platforms including Tmall and JD and over 10,000 pet stores and pet hospitals in the offline China market. Solid Gold new pet supplements SKU, fish oil, ranked No. 2 in the cat fish oil category on Tmall during the 2024 Double 11 shopping festival.

In 2022, we also launched Zesty Paws™ on e-commerce platforms in Hong Kong, Singapore, Philippines and Malaysia, and in 2023 in Thailand. In 2024, Zesty Paws™ was launched across the Europe - France, Italy and the UK market through omni-channel strategies and Germany through digital channels.

We abide by highly disciplined and prudent financial policies contributing to resilient performance supporting high cash flow conversion.

Our disciplined and prudent financial policies emphasize diverse funding channels, proactive debt maturity management, and debt leverage control. From January to November 2024, we diversified our funding sources by completing various bond and loan transactions, including the issuance of the RMB Bonds, the issuance of additional 2026 Notes, and the drawdown under the Zinc Facilities. We have also demonstrated a proactive approach to managing our debt maturity profile by prepaying USD235 million and USD168 million of the Senior Term Facilities and refinancing them to extend maturity. Additionally, we focus on cash management through offshore cash pooling and a prudent dividend policy that balances deleveraging, cash management, and shareholders' return. We maintain a low maintenance Capex requirement due to our asset-light operating model. We also actively monitor financial risks and we may enter into new hedging arrangements to manage foreign exchange and changes in floating benchmark rates related risks.

Our results of operations reflect strong earnings, primarily as a result of the strong market position we hold in our core markets in China and Australia. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, our Adjusted EBITDA was RMB2,043.1 million, RMB2,167.3 million, RMB2,337.3 million (USD321.7 million), RMB1,481.0 million and RMB1,181.1 million (USD162.4 million), respectively. Our conversion ratio represents pre-tax operating cash flow as a percentage of Adjusted EBITDA and was 108.8%, 89.6%, 70.7% and 103.7% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, respectively. Our product segments generate high profit margin from sales in their respective markets and provide strong earnings diversification, however, they can be affected by one-off factors. Since we do not currently expect one-off factors or our business to require substantial capital expenditure, we expect that we will continue to generate a high cash flow conversion rate, with each of our business segments capable of contributing to the service of our debt obligations and supporting eventual deleveraging from current high levels which resulted from the acquisition of Zesty Paws in 2021. We have in the past managed and integrated acquisitions successfully and generated high cash flow conversion leading to deleveraging over time. Following the acquisition of Swisse, our net leverage decreased from 3.4x in 2015 to 1.6x in 2019. In 2020, we acquired Solid Gold for US$163 million, followed by the acquisition of Zesty Paws for US$610 million in 2021. The acquisitions have allowed us to further diversify our product offerings and revenue streams, enlarging pet nutrition and care as our third major business segment and allowing us to gain a strong market position in the segment. Solid Gold is a leader in pet gut health and probiotic-based diets and positioned as America's first holistic pet nutrition company, while Zesty Paws™ is a leading premium pet supplement brand and highly disruptive category pioneer in the United States. We intend to leverage our experience, expertise and network to integrate these new brands globally in an efficient manner, with a view to achieve strong earnings performance across segments.

Experienced and highly capable management team with proven track record of performance.

We are led by a highly capable management team with extensive industry expertise and international vision. Our Chairman, Mr. Luo Fei, is also our founder and has over 20 years' experience in the biotechnology industry. Our Chief Financial and Operation Officer, Mr. Wang Yidong, has over 20 years' experience in financial management, accounting and corporate finance with multinational corporations.

In addition, we have established a chief executive officer ("**CEO**") office with a group of highly capable individuals, comprising (i) rotating CEO, which will be sequentially taken by regional CEO of North America and Europe, regional CEO of Asia, Australia and New Zealand, and regional CEO of China, who will act as the CEO of the Group by rotation (in the abovementioned order) for a term of 9 months each commencing on 1 December 2023; and (ii) as standing members, the Group's chief financial and operating officer, the Group's chief people officer and the chairman of the Board. Our management team combines global vision with local market expertise, allowing us to anticipate and respond to consumer trends more effectively than our competitors. Our leadership position is also demonstrated by the success we have achieved through the acquisition and integration of our Swisse and other international businesses.

Our Strategies

Our vision is continue to be a leading global nutrition and wellness company leveraging our premium products and aspirational brands. In order to achieve that vision, we aim to pursue the following strategies:

Grow our vitamins and supplements business and maintain our established position in the IMF business and focus on the most attractive distribution channels.

We are fully committed to our continuing growth, globalization and diversification. We intend to stay focused on evolving each of our ANC, BNC and PNC pillars, pursuing organic growth strategies in both our stronghold and expansion markets. We expect to achieve this by retaining China as our single largest market. We will also leverage the strong continuous customer demand for our products in other countries, so as to enhance the promising growth that we have witnessed from North America and other Asian markets.

For our adult nutrition and care products, we will continue to drive growth through expansion and innovation. In China, we intend to further capitalize on our edge in the cross-border e-commerce market. We target to leverage our No. 1 online market share to strengthen our overall presence in the normal trade market. The contribution of adult nutrition and care products in China through normal trade to our total revenue has significantly increased from 2018 to 2023. We will also pursue further opportunities with Swisse Plus+ through both existing and newly developed SKUs to further premiumize Swisse's product portfolio in China. In other territories, we intend to build up profits in more mature markets such as Italy, Hong Kong and Singapore, where we have gained category leadership positions, and pursue growth in expansion markets such as Malaysia, Vietnam, Thailand, India and the Middle East.

With respect to our infant formula products, our three main priorities are: stabilization, premiumization and category leadership. This includes continuing to lead the market in China and France, while growing in other key markets such as ANZ, Hong Kong and Vietnam. Notably, we received approvals for seven out of eight of our product series and launched the new GB IMF series in December 2023 and the first quarter of 2024.

In relation to the China probiotics market, we continue expanding Biostime probiotics distribution within our Pi IMF network to drive category penetration growth and accelerate growth. Our Biostime probiotics products are also catching up to our IMF products. The effective distribution points for probiotics and Pi IMF, our top SKU for IMF as of 30 June 2024 were 23,651 and 16,608, respectively.

We have achieved globalization and diversification by establishing and growing pet nutrition and care as the third core business. We will continue to capitalize on the fast-growing prospect of pet ownership and the premiumization trend and continue product innovation to enrich our high-quality pet nutrition products and solutions. Our products are unique due to our focus on immunity, skin and coat and gut health products. Our portfolio also spans across all dry and wet and functional foods. By capitalizing on

the premiumization trend, we aim to premiumize our pet food offering and expand into fast growing pet supplement category to become a leading player in premium pet food and supplement, targeting Gen Z pet parents. To put our plan in perspective, we acquired Solid Gold in 2020, which is primarily engaged in sale of natural and holistic pet nutrition worldwide, and Zesty Paws in 2021, which is a digitally-native brand engaged in the business of marketing and selling nutritional supplements for cats and dogs with strong e-commerce capabilities and further growth potential in retail.

Zesty Paws™ is one of the category leaders in the US with its dog and cat supplements being ranked highly on the best-selling product lists on Amazon. We have also expanded the distribution of Zesty Paws in offline channels through the launch of existing and new products innovations in key outlets and independent pet stores. At Solid Gold, we will continue to explore opportunities in the premium cat food and pet supplements category in China. We plan to establish Solid Gold's category leadership and expand premium pet food and pet supplements. We will also drive this brand through building profitable growth by targeting the super-premium category and leveraging the strength of its NutrientBoost range in North America.

Continue to position ourselves as a premium all-round family nutrition provider.

We are focused on reinforcing our position as a provider of premium, proven and aspirational all-round family nutrition through our extensive product portfolio. We intend to achieve this objective through our continued development of new and innovative products with an emphasis on maintaining the highest quality standards; using proven and effective marketing models that successfully promote sales, including utilizing targeted marketing to promote customer education and interaction; maximizing the benefits of our strong distribution channels, particularly in China through baby specialty stores and e-commerce platforms; and realizing the synergies from the integration of our businesses and brands to deliver increased market share, as well as cross-sharing our R&D efforts.

Continue to invest in new product development and innovation.

We will continue to employ a science-based approach to new product development and maintain our position as a leading innovator in the market. We will continue to invest and strengthen our R&D focus and continue to partner with reputable organizations including leading universities to ensure that our health benefit claims continue to be scientifically validated. We will maintain our speed to market in responding to trends in the health and wellness industry ahead of our competitors, which we believe will continue to reinforce our market-leading position in the VHMS industry.

For example, we launched Swisse Plus+ in China in 2022, and Swisse Plus+, with its higher profitability, accounted for double-digit percentage of total ANC revenue in China. We launched Swisse Me, a functional food range, in China, targeting the Gen Z to better capture the consumer demands. We also plan to leverage the Swisse™ brand to grow market share in growing categories such as skincare and gummy in Australia and internationally.

Furthermore, in line with the premiumization of the Chinese infant formula industry, which has seen growing consumer preference for premium, organic baby food products, we intend to continue to promote our recently introduced organic range of infant formula products as well as continue to innovate and develop our SN-2 PLUS and HMO SN-2 OKYS infant formula products.

Leverage synergies and competitive advantages from the integration of our core brands within businesses.

We continue to realize synergies from the integration of our Portfolio Brands. These synergies can drive increasing revenue and profit growth. We continue to improve the market share of Swisse™ branded products in China since their introduction to the Chinese market in 2016, both through e-commerce and offline channels, as well as globally, leveraging our CRM capabilities.

In addition, leveraging our French distribution capability, we launched Biostime™ IMF in France in 2017. According to GERS (group for the development and production of pharmaceutical industry statistics), the French pharma panelist, Biostime was the No. 1 brand in the organic IMF market and the goat milk IMF market in French pharmacies with a market share of 40.6% and 43.7% respectively for the twelve months ended 30 June 2024. Biostime, Dodie and Good Goût were recognized as "Entreprise à Mission"(purpose-led company) in France.

As our Swisse™, Good Goût™ and Solid Gold™ branded products continue to gain traction with consumers in China, we will analyze their purchasing behavior using our industry-leading consumer relationship management software to execute effective and targeted marketing of our products.

Our PNC business segment is the third pillar of our family nutrition and care business. We aim to create synergy between our PNC business segment and the current business segments of the Group, by leveraging on the nutrition expertise and capability built over the years in our other business segments. We also aim to capitalize on the rapid growth prospects of pet adoption and the premiumization trend that the PNC industry is experiencing generally, by focusing on the growth of our PNC business segment. We believe we are well-positioned to capture such growth in the industry given the quality and innovation of our pet nutrition products and solutions.

By growing our PNC segment, we aim to accelerate the Group's globalization and strengthen our presence in the United States. The acquisition of Zesty Paws in particular will allow us to achieve this aim. We will also tap into the Chinese PNC market which is also showing large growth potential. We officially launched Solid Gold online and offline in China in the first half of 2021, transitioning the brand from a sole distributor model to one focused on active sales. We are building the Zesty Paws product portfolio based on local consumer insights and regulatory requirement for the launch in the United Kingdom, France, Italy, Germany and Australia.

To drive innovation and access to disruptive technologies within its relevant industries, we have sought new partnership opportunities through minority stake acquisitions in promising start-ups and entrepreneurs through our NewH^2 investment fund. These include: (i) Meta Flow in Israel, which has created breakthrough innovations in real-time metabolic tracking, (ii) Proven Skincare in North America, which uses artificial intelligence ("**AI**") to personalize skincare, and (iii) Else Nutrition Holdings Inc. in Israel, listed as TSX Venture Exchange and is quoted on the US OTC Markets QB board, which engages in the research, development, manufacture, marketing, and sale of plant-based food and nutrition products to infants, toddler, children, and adults.

We will also aim to further combine our R&D efforts, which will benefit from the increased scale and knowledge cross-sharing. The combination of our businesses' supply chain and sourcing has already improved operational efficiency and reduced costs. We are also exploring ways to optimize our business structure to streamline business lines and /or geographics.

By utilizing our significant expertise and capabilities in building strong market share in the health and wellness industry globally, we believe these strategies will work in combination to raise awareness of our brands with Chinese consumers and grow sales of our products globally.

Continue to generate strong cash flow to support deleverage.

We have demonstrated our ability to generate strong cash flows over the last three years due to an adaptable and agile structure with limited capex requirements. During the year ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, our Adjusted EBITDA was RMB2,043.1 million, RMB2,167.3 million, RMB2,337.3 million (USD321.7 million), RMB1,481.0 million and RMB1,181.1 million (USD162.4 million), respectively, and our pre-tax operating cash flow was RMB2,223.7 million, RMB1,941.9 million, RMB1,653.0 million (USD227.5 million), RMB359.7

million and RMB1,224.4 million (USD168.5 million), respectively, representing a conversion ratio of 108.8%, 89.6%, 70.7%, 24.3% and 103.7%, respectively. Our net borrowings increased as a result of our acquisition of Zesty Paws in 2021. The acquisition of Solid Gold in 2020 and Zesty Paws in 2021 is in line with our growth strategy and part of our globalization journey, strengthening our presence in the United States. We intend to leverage our experience, expertise and network to integrate these new brands globally in an efficient manner, with a view to achieve strong earnings performance across segments. As we have done in the past, we intend to focus on delivering strong cash flow generation by increasing revenue, including with the contributions of the new acquired businesses, and managing margins, operating costs, capital expenditure and one-off factors which we believe will enable us to reduce over time our net leverage from current high levels.

Continue to focus on sustainability and prioritize ESG initiatives.

We are dedicated to continually improving our ESG performance. In terms of water consumption, in the year ended 31 December 2023, we saw a reduction of 7.2% in water usage per unit produced in our own manufacturing facilities, which represents 93% of the Group's overall water consumption. As for end-of-life waste management, as of 31 December 2023, 95% of our packaging was recyclable, biodegradable or compostable. We are committed to reducing our greenhouse gas emissions across all across Mapped Scope 1, 2 and 3. We have covered all our electricity needs with renewable energy since 2021. In December 2023, we received the SBTi validated for our near-term science-based emissions reduction targets (which is by 2031) — a major milestone and further demonstration of H&H's commitment to taking action on climate change by advancing sustainable and responsible operations.

With five entities certified B Corporations (situated in China, Australia and New Zealand, North America, France and the United Kingdom), we have achieved B Corporation certification group-wide in November 2024. This certification is used as a compass to define our ESG strategy which focuses on four key aspects. First, spreading the importance of good health is key to our business. As of 31 December 2023, we have launched 365 new products. In 2023, our total community investment represented USD3.4 million. We also understand the need to reduce our carbon footprint. In this regard, with our greenhouse gas emissions reduction targets validated by the SBTi, we have a clear roadmap to reduce our emissions. Our targets include (i) commitments to reduce absolute scope 1 GHG emissions by 46.2% by 2031 from 2022 as base year; (ii) to continue active annual sourcing of 100% renewable electricity through 2030; (iii) to reduce scope 3 GHG emissions from upstream transportation and distribution 55% per million USD of value added by 2031 from a 2022 base year; and (iv) that 52% of our suppliers by spend, covering purchased goods and services, will have science-based targets, by 2027. In 2023, we proactively engaged with SBTi, which successfully validated our GHG emissions reduction targets. Moreover, our two in-house factories in China have been certified carbon neutral in accordance with the globally recognized PAS 2060 standard for carbon neutrality.

We also have identified the Group's climate risks and opportunities and completed scenario analysis according to Task Force on Climate-related Financial Disclosures. On top of the above, we also continuously support good governance as part of our ESG initiatives. In addition to establishing our ESG Committee, all of our employees have completed training on ethical behavior. Further reinforcing our commitment to good governance, we target to appoint a female board member in 2024 in order to reach 30 per cent. of female board representation. ESG KPIs have also been incorporated into ongoing executive performance review. Lastly, we honor human rights and fairness in line with the sustainability development goals. In particular, we have used the HR data intelligence, Mixity, to assess our diversity, equity and inclusion footprint, which allows us to implement policies that best fit our Group. Our commitment to this aspect is exemplified by us joining the UN Women's Empowerment Principles and creating bespoke regional diversity, equity and inclusion taskforces and strategies.

Recent Developments

See "*Summary — Recent Developments*".

Our History

In 1999, we were founded by Mr. Luo Fei and Mr. Luo Yun in Guangzhou, China, to focus on the R&D of pediatric probiotic and nutritional supplement products for infants and children. In 2002, we established our Biostime™ brand and we began to manufacture through a cooperation agreement with Lallemand, a leading manufacturer of probiotics based in France, and distribute pediatric probiotic and nutritional supplements in China for infants and children.

On 17 December 2010, we became a listed company on the Main Board of the SEHK. In 2013, we also acquired a 20% stake in one of our key infant formula suppliers, ISM, based in France, and an infant formula manufacturing facility in Changsha, China. In 2009 and 2014, we established R&D centers in Guangzhou and Changsha, respectively to further our new product development and innovation activities. In 2014, we established BINC, an international platform to facilitate expert communication and academic exchange among medical and scientific professionals in China and worldwide.

On 30 September 2015, we acquired our 83% shareholding in Swisse Wellness Group Pty Ltd for a total purchase consideration of A$1.45 billion. On 17 February 2017, we acquired the remaining 17% shareholding in Swisse at a cash consideration of A$311.3 million. As a result, Swisse Wellness Group Pty Ltd became our wholly-owned subsidiary.

On 21 December 2016, we acquired 100% equity interest in AB Pharma and its subsidiary, which is principally engaged in marketing and distribution of baby products under Dodie™ brand, a French baby product brand. The purchase consideration for the acquisition was €16.0 million.

Subsequent to the completion of the acquisition of Swisse, we accelerated our integration by bringing all of our businesses together under a new common mission and vision. In June 2017, we changed the English name of the Company from "Biostime International Holdings Limited" to "Health and Happiness (H&H) International Holdings Limited" and the Chinese name of the Company has been changed from "合生元國際控股有限公司" to "健合(H&H)國際控股有限公司". In addition, we also changed the English stock short name of the Company for trading in the Shares on the SEHK from "BIOSTIME" to "H&H INTL HLDG", while the Chinese stock short name of the Company from "合生元" to "H&H 國際控股".

In September 2017, to further leverage and increase our market share in baby care products in China, we launched a premium Dodie™ diaper range.

In November 2017, we terminated Swisse's partnership with PGT, which resulted in regaining the worldwide distribution rights of Swisse for its expansion into new markets. The aggregate consideration paid was USD103.5 million (with transaction costs and contingent payment included). On 30 June 2018, the termination of all PGT's distribution rights in the existing markets was completed.

In the first half of 2018, we launched Biostime IMF and probiotics in France.

On 11 July 2018, we acquired a 100% equity interest in MA&CO and BBB. MA&CO and BBB are companies based in France and are principally engaged in the marketing and distribution of organic baby food products under the Good Goût™ brand, which is another renowned French baby product brand. The purchase consideration for the acquisition was €30.7 million.

On 24 August 2018, we acquired a 100% equity interest in Farmland Dairy, an Australian based company that is principally engaged in the manufacturing of goat milk formulas. The purchase consideration that we paid was A$35.9 million.

In 2018, we also laid the foundation for future innovation and success with the launch of a new wholly owned innovation fund, NewH^2, which aims to invest up to a total of USD60 million in emerging and innovative technologies, product categories and business models. This initiative has enabled and will enable us to leverage external innovation capabilities and entrepreneurial ventures to capture future growth opportunities.

Since the establishment of the NewH^2 fund, we have invested in three start-up companies. In 2019, the NewH^2 fund acquired a minority stake in Meta Flow in Israel, which has created breakthrough innovations in real-time metabolic tracking; and Proven Skincare in North America, which uses AI to personalize skincare. In 2020, the NewH^2 fund invested in warrants issued by Else Nutrition Holdings Inc. (TSXV: BABY) (OTCPK: BABYF), which engages in the research, development, manufacture, marketing and sale of plant-based food and nutrition products to infants, toddlers, children, and adults. These investments align with our sustainability journey while allowing it to lead the way with innovated product categories in different global markets.

On 4 January 2019, we acquired a 100% equity interest in Aurelia Skincare Limited and Aurelia Skincare (International) Limited (collectively "**Aurelia**"). Aurelia is principally engaged in the research, development and sale of probiotic skin care products, through the Aurelia Probiotic Skincare™ brand. The acquisition was made as part of our strategy to explore the global premium and natural beauty sector. The purchase consideration for the acquisition was £21.1 million.

On 11 December 2020, we acquired a 100% equity interest in Solid Gold. Solid Gold is primarily engaged in sale of natural and holistic pet nutrition worldwide. The acquisition will enable us to establish pet nutrition and care as our third major business segment at an opportune time to enhance our future growth prospect. The purchase consideration for the acquisition was USD167.8 million.

In 2024, Swisse was honored as the Most Trusted Vitamin Brand, as part of the highly recognized Reader's Digest Trusted Brands Australia Awards.

The following chart sets forth our product offering by our principal brands as of 30 June 2024:

Target user	Brands	Products	
Infants and children	Biostime™	Premium to super-premium+ infant formula	
		Probiotic and other supplements	
	Dodie™	Baby Products	
	Good Goût™	Baby products Organic baby/kid food	
	Swisse™	Kids vitamins	
Pregnant and nursing mothers .	Biostime™	Premium nutritional milk	

Target user	Brands	Products	
Adults	Swisse™	Ultivite	
	Swisse™	Ultivite — gender-specific multivitamins	
		Beauty & skincare	
		SwisseMe™	
		Nutra+/Plus+	 
	Aurelia™	Nutra+/Plus+ Skincare	
Pets	Zesty Paws™	Pet supplements	
	Solid Gold™	Pet food	
		Pet supplements	

The following chart sets forth our product offering by brand as of 30 June 2024:

Brands	Description	Percentage of total sales for the six months ended 30 June 2024
Swisse™ 	• A leading VHMS brand in Australia and New Zealand. Offers VHMS, superfoods, sports nutrition and skincare products.	48.8%
Biostime™ 	• A leading super premium infant and child nutrition brand in China. • Includes product categories such as: Infant formula series including Pi-star Infant Formula, Alpha-star Infant Formula, Beta-star Infant Formula; and baby food supplements including probiotics and other pediatric supplement.	34.5%
Zesty Paws™ 	• Is a leading online premium pet supplement brand and highly disruptive category pioneer in the United States.	9.6%
Solid Gold™ 	• Founded in the United States in 1974, is a leader in pet intestinal health and probiotic diet. As a high-end scientifically certificated and desirable brand, it has products lines that can meet the nutritional needs of cats and dogs, while consistently focusing on providing digestive health and overall health solutions for pets.	5.1%
Dodie™ 	• Founded in 1958 in France, is committed to providing consumers with high quality and full range of maternal and baby products and services. Dodie's products include bottles, and pacifiers.	0.7%
Good Goût™ 	• Good Goût™ is a brand founded in France that is principally engaged in the marketing and distribution of organic baby food products.	1.2%
Aurelia Probiotic Skincare™ 	• Aurelia is a brand founded in the United Kingdom, principally engaged in the research, development and sale of probiotic skin care products. It is an ultra-premium skincare brand that combines sustainably sourced Bio-Organic botanical ingredients and probiotics.	0.1%

The following chart sets forth our Swisse™ VHMS product offering in the China VHMS market as of 30 June 2024:

Sub brands & lines		Target consumer		Key category focus	Product
Core range	Swisse Beauty	Young Women	Core 18-35 YO She and her Family, key 35-45 YO Supplement Shoppers	Beauty	
	Swisse Wellness	Family/ Household		Family Nutrition	
				Skin care	
Swisse me		New Category User		Functional Food	
Little Swisse		Kids		Kids	
Swisse Plus+		Mature Elite	35-45YO	Anti-aging	

The following chart sets forth our Biostime™ product offering in the China IMF market as of 30 June 2024:

		Import	Domestic (Changsha)
New-GB IMF	Premium	 Beta Star Shine	 Man Le
	Super Premium	 Pi Star Tinwhole  Pi Star	 Pi Star Tianhe
	Super Premium+	 Healthy Times	
	Goat		 Cute Betty's Care
NPD	Children	  Stage 4	  Children Milk

The following chart sets forth our Biostime™ probiotics product offering in the China market as of 30 June 2024:

<table>
<tr><th colspan="3"></th><th>Infant</th><th colspan="2">Children</th></tr>
<tr><td rowspan="5">PROBIOTICS</td><td rowspan="2">Immune/Gut</td><td>All age</td><td colspan="3">
Original/Milk flavor</td></tr>
<tr><td>Dosage form</td><td>
Drops</td><td>
Chewable tablets</td><td>
Gummies</td></tr>
<tr><td rowspan="3">Segmentation function</td><td>Intestinal colic</td><td>
Drops</td><td>Appetizer</td><td>
Solid drink</td></tr>
<tr><td rowspan="2">Caesarean Section</td><td rowspan="2">
HK version HMO</td><td>Skin allergies</td><td>
Solid drink</td></tr>
<tr><td>Nasal Comfort</td><td>
Probiotics</td></tr>
<tr><td rowspan="4">NUTRITION</td><td>Lactoferrin</td><td colspan="2">
Lactoferrin + Probiotics</td><td>
Lactoferrin + Probiotics (HMO)</td></tr>
<tr><td>Calcium</td><td colspan="2">
Calcium + VD3</td><td>
Liquid Calcium

High Calcium gummies</td></tr>
<tr><td>DHA</td><td colspan="2">
DHA+ARA</td><td>
Liquid DHA</td></tr>
<tr><td>Lutein</td><td colspan="2"></td><td>
Lutein gummies</td></tr>
</table>

Adult nutrition and care products

Our adult nutrition and care segment represented 35.7%, 44.1%, 42.1% and 49.0% of our revenue for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. We primarily offer a range of Swisse branded VHMS and skincare products in Australia, New Zealand, China, Italy, Hong Kong, Singapore as well as in several other international markets.

With a focus on growing the adult nutrition and care segment of the business, we integrated a new premium brand to the portfolio, Aurelia™ following the acquisition in January 2019. Aurelia is an ultra-premium probiotic skincare brand that originated in the United Kingdom. The products are currently sold globally through its dynamic direct-to-consumer platform.

Our adult nutrition and care products are developed to create various formulas that both cater to a general audience as well as being customized for specific health requirements. We aim to adjust the ingredients and formulations of our adult nutrition and care products in order to optimize health outcomes.

Our products can be classified into the following two differentiated product categories: (i) VHMS and (ii) skin care. According to IQVIA™, Swisse was ranked No. 1 in the Australian VMS market for the years ended 2022 and 2023 with 12.9% and 13.7% market share, respectively.

According to Early Data, in China, Swisse™ was ranked No. 1 in terms of sales value in the VHMS products under the health products category on the Alibaba, JD, VIP, Suning, Kaola and Amazon platforms combined for the year ended 31 December 2023 and for the twelve months ended 30 June 2024, with market shares of 8.1% and 8.0%, respectively.

Our Ultivite™ multivitamin products are tailored to meet the different needs of consumers based on age and gender globally. For the twelve months ended 30 June 2024, according to IQVIA™, Swisse was the No. 1 brand in the "Multivitamins" category with a 40.2% share of scanned retail value sales in the "Australian Pharmacy and Grocery" sector. We also offer globally a range of Ultiboost™ vitamins, minerals and supplements products, which are premium formulations designed for specific health outcomes, such as immune health support, restful sleep, joint health, digestive health, mood balance and hair, skin and nails health. Our vitamins, minerals and supplements are available in liquid, tablet, soft gelatin, hard-shell capsule, effervescent, gummy, chewable and powder form, depending on category. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, vitamins, minerals and supplements accounted for the majority of our adult nutrition and care revenue.

Other Adult Nutrition

In 2019, we launched a lifestyle range of products (SwisseME™) with a strong focus on balanced nutrition. The products, including breakfast and energy pouches, are available through the normal trade channel in China.

In 2021, our first nutraceutical range available in pharmacy-only-channels — Swisse Nutra+ — became available and is now sold in over 1,000 pharmacies. This is a premium range which is available over the counter and practitioner only brands.

In 2021, Swisse launched the first sugar-free gummies range for adults in Australia, and has grown to become the No. 2 gummies brand for the twelve months ended 30 June 2024 with 15.6% market share (IQVIA™).

In 2022, we launched the Swisse Plus premium range catering to the needs of high-end Chinese consumers, featuring advanced scientifically proven NAD+ products through strategic partnership with ChromaDex as well as cholesterol protection supplements.

Skin care

Through the Swisse™ brand, we offer a range of nutrient-enriched, natural skincare, with products for face and body including cleansers, toners, oils, serums, moisturizers, creams and masks. Our skincare products target consumers seeking natural, botanical ingredient-led skincare products, and complement our VDS Beauty from Within offering.

Through the Aurelia™ brand, we offer a range of probiotic skincare, including face and body products, which is created using BioOrganic ingredients sourced sustainably from around the world. The products include cleansers nutrient-enriched, natural skincare, with products for face and body including cleansers, oils, serums, masks and creams. Aurelia currently available globally through their e-tailing platforms, and its direct-to-consumer website and high-end retail partners in the United Kingdom.

Baby nutrition and care

Our baby nutrition and care segment represented 52.3%, 42.4%, 44.6% and 36.3% of our revenue for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. In particular, infant formulas represented 40.5%, 31.6%, 31.7% and 26.9% of our revenue for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively.

Infant formula

We offer a range of infant formula products in China that are positioned at the higher end of the market and focuses on educated consumers with a relatively high disposable income. Biostime™ and Cute Betty's™ are the principal brands under which we currently sell our infant formula products in China. Our Biostime™ and Cute Betty's™ brand primarily target the super-premium and premium tiers of the Chinese infant formula market. According to NielsenIQ, for the year ended 31 December 2023 and for the twelve months ended 30 June 2024, we were the fourth and third largest participant in the super-premium tier with 12.4% and 13.0% market share by offline retail sales value, respectively. We also had a 5.1% market share by retail sales value of the overall infant formula market in China for the year ended 31 December 2023, according to NielsenIQ.

Our infant formula products broadly fall into four categories: (i) Stage 1 formula, or infant formula, which is suitable for newborn infants up to six months; (ii) Stage 2 formula, or follow-on formula, which is suitable for infants and toddlers aged from six to 12 months (and potentially longer); (iii) Stage 3 formula, or growing-up formula, which is suitable for toddlers aged from 12 months to three years; and (iv) Stage 4 formula, or pre-school formula, which is suitable for children aged from three to seven years.

All of our Biostime™ branded infant formula products and mother's nutritional supplement products are imported from our suppliers in France and Denmark with original packaging. Our suppliers manufacture these products based on our specific design specifications and formulas. There are also 250 quality check points before a Biostime™ product is imported to China. For further information, see "*Business — Suppliers and manufacturing*". We jointly develop infant formulas with our suppliers. Our product development team, which comprises marketing as well as our in-house scientists and other R&D professionals in China and Europe, identify and create the nutritional profile of new formulas based on marketing requests, R&D findings and regulatory requirements. Once such a nutritional profile is set up, our R&D team develop the recipe and implements a pilot production process in our R&D facility in Moorepark, Ireland. After evaluation of the quality and stability of the recipe, both the R&D team and the quality team collaborate with our infant formula suppliers in Europe to adapt the recipe for final production.

We endeavor to bring the nutrition profile of our infant formula closer to that of breast milk. As research has shown that many infants experience constipation due to indigestion associated with conventional infant formula products, we launched infant formula products with vegetable oil to help reduce the likelihood of constipation and to enhance the intake of calcium and energy and calorie absorption. Based on information from Advanced Lipids, one of the two producers of vegetable oil globally, we believe we were the first to offer infant formula products with vegetable oil in China. Generally, infant formula has the following four main components: (i) cow's milk protein that is processed to have a profile similar to breast milk, (ii) a blend of vegetable fats to support the nutritional lipid profile of breast milk, (iii) a carbohydrate, generally lactose from cow's milk, and (iv) a vitamin and mineral "micronutrient" pre-mix that is blended into the product to target the specific needs of an infant at a given age.

SN-2 Plus

In June 2015, we introduced our SN-2 PLUS infant formula under our Biostime™ brand. Our SN-2 PLUS infant formula contains a structured lipid blend which a clinical study on 171 newborn babies in China, proved that it promoted enhanced nutrient absorption to support the balanced growth of babies as well as reduced crying time and constipation. We spent three years researching, developing and testing our SN-2 PLUS infant formula in cooperation with Enzymotec and have entered into a supply agreement for the lipid structure based on our jointly developed formula. Under the supply agreement, Advanced Lipids, our supplier of the lipid used in our SN-2 PLUS infant formula, provides the lipid blend based on our specification. We believe that we are the first infant formula provider in China to use SN-2 in our infant formula products, and that we have a higher concentration of SN-2 in our formula compared to those of our competitors, making our product closer in structure to breast milk.

HMO SN2-Plus

Biostime is the first brand to launch infant milk formulas and infant supplements with advanced nutrient Human Milk Oligosaccharides ("**HMO**") in the Australian market according to NutraIngredients Asia, another example of how we are better capturing local demand for baby nutrition and immunity. This formula, which is derived from research on breast milk, makes a breakthrough in combining the three essential nutrients in breast milk — HMO, LPN™ whey protein, and SN-2 PLUS™ optimized structured lipid.

Pediatric probiotic and nutritional supplements

Our pediatric probiotic and nutritional supplement segment represented 8.7%, 8.7%, 10.7% and 7.6% of our revenue for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. We were the first company to register probiotics as health food supplements for infants and children in 2002 and we have an established market position and high brand recognition since then. Probiotics are live microorganisms that are considered healthy for humans to consume. According to the currently adopted definition by the Food and Agriculture Organization of the United Nations ("**FAO**") and the World Health Organization ("**WHO**"), probiotics are "live microorganisms that, when administered in adequate amounts, confer a health benefit on the host". Positive health effects have been documented from the use of probiotics and we market our pediatric probiotic and nutritional supplements as being advantageous in children whose immune systems are still developing. We offer a range of pediatric probiotic and nutritional supplements in China, France and other international markets designed to target consumers of premium-branded pediatric nutritional supplements under our Biostime™ brand. Our pediatric probiotic and nutritional supplements come in sachet and tablet formats designed for infants and children.

Other pediatric products

Our other pediatric products represented 3.1%, 2.1%, 2.3% and 1.9% of our revenue for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. We offer a range of baby food and nutrition supplements and baby care products in China, France and other international markets designed to target consumers of premium baby food and nutrition supplements and baby care products. We offer our baby food under our brand Good Goût™. We acquired Good Goût™ on 11 July 2018, which is a recognized organic baby food brand in France. Good Goût™ is also our first brand to have obtained "B Corp Certification" in France in 2020. In 2022, we also launched kids gummies under the Biostime™ brand in China and France.

Our nutritional supplements include milk calcium chewable tablets for children and expectant and nursing mothers. Our milk calcium chewable tablets series are designed for both pregnant women and children above three years old. These tablets are made from microencapsulated milk calcium.

We offer our baby care products under our brand Dodie™. We acquired Dodie™ on 21 December 2016. Founded in 1958, Dodie™ is a French brand committed to providing consumers with high quality and full range of maternal and baby products and services. Our key baby care products include bottles and pacifiers. Following our strategic choice to focus on high-margin and fast-growing nutritional supplements, we exited Dodie branded diaper business in China in 2024. See "*Summary — Recent Development*".

Pet nutrition and care products

Our pet nutrition and care segment represented 12.0%, 13.5%, 13.3% and 14.7% of our revenue for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. We primarily offer a broad range of products under our Zesty Paws™ and Solid Gold brands in China and the United States.

In November 2020, we acquired Solid Gold, America's first holistic pet nutrition brand, establishing pet nutrition and care segment alongside our existing business segments. This acquisition was driven by the rapidly increasing pet population, pet nutrition premiumization and the trend of humanizing our pets.

In October 2021, we further acquired Health and Happiness (H&H) US LLC (formerly known as Zesty Paws LLC), to enlarge our pet nutrition and care segment. Together with Solid Gold, these acquisitions allow us to offer our consumers a comprehensive product offering from pet food to pet supplements, and also allow us to accelerate our globalization journey with a strengthened presence in the United States.

In China, according to SmartPath, Solid Gold maintained its No. 2 position for the twelve months ended June 2024 in the premium dry cat food market, amid its shifting product focus. We believe Solid Gold and Health and Happiness (H&H) US LLC (formerly known as Zesty Paws LLC), are both well aligned with our mission, and we feel very confident in the ability of both brands to continue to contribute to our future expansion.

Marketing

Adult nutrition and care products

We engage in a variety of marketing activities in our adult nutrition and care segment, through which our marketing focuses on our offering of premium, proven and aspirational products that have been produced using world-class raw materials in accordance with TGA standards, rigorous quality control processes and backed by science.

We promote our adult nutrition and care products and our Swisse™ brand through various channels such as digital, print, in-store and in some cases, TV. We are pursuing a digital first approach and are expanding our presence in e-commerce platforms (for example, Amazon, Lazada, Shopee, etc.) as well as actively working with social media (for example, Facebook, TikTok, Little Red Book etc.) in order to build brand awareness, engagement and conversion.

From an innovation perspective we are working with the best suppliers all over the world to ensure premium quality. "Powered by nature, proven by science" is at the heart of what we do when it comes to product development and consumer communication. Our brand philosophy follows a consumer centric approach, ensuring that all products and brand activities are reflecting the consumers' needs and market insights.

Baby nutrition and care products

The marketing activities for our baby nutrition and care products segment are driven by the need to attract new consumers and increase sales to our existing customers over the typical three-year period that a mother purchases such products, from pregnancy to the toddler stage.

As part of our strategy, we run the Mama100 membership programme, offering extensive services to better understand consumer needs through diverse platforms. We maintain and operate online platforms using an online-to-offline approach, which includes a self-owned website and mobile application, as well as online stores on third-party platforms like WeChat. Additionally, we provide a business-to-customer service via the Mama100 online platform, allowing customers to place orders directly, with products owned and distributed by local baby specialty stores.

We position ourselves as a premium provider of baby nutrition and care products for infants, young children up to seven years old, expectant mothers, and nursing mothers, with our Biostime™ brand associated with high-quality products sourced from Western Europe. Our brand recognition and reputation, established since 2002, are crucial to our business growth and sustainability, and we aim to strengthen this through word of mouth and recognition of the advanced science behind our products. We target educated consumers with relatively high disposable incomes and engage in various marketing and promotional activities to promote brand recognition. New mothers are increasingly turning to social media platforms such as Little Red Book and TikTok to actively seek out and compare information on infant milk formula, placing high trust in evaluation posts from fellow mothers and professional key opinion leaders. Given the increasing online activity of young mothers, we have focused more on online marketing as our primary communication channel. For instance, in the probiotics segment, Biostime has demonstrated strong brand influence, with search data from Little Red Book showing that the monthly search index for "Biostime Probiotics" is, on average, two to three times higher than for category keywords like "Paediatric Probiotics" and "Infant Probiotics".

We also promote our brands through digital marketing across various media channels, including online platforms such as Weibo, Little Red Book, Douyin, WeChat, and online TV, as well as offline platforms like TV, print, and in-store displays. In 2024, we sponsored the Chinese reality show "Da Re Men Lai Le" 《大熱門來了》and the popular TV drama "Joy of Life 2"《慶餘年2》. Additionally, we hosted a brand promotion meeting in China in May 2024.

Pet nutrition and care products

Our marketing activities for Pet Nutrition brands Zesty Paws™ and Solid Gold™ are centered around digital communications, where we have built a loyal following with digitally native consumers. Our marketing strategy for Zesty Paws™ particularly targets millennial consumers who are looking to adopt a healthy lifestyle for themselves and their pets. These consumers make informed choices on pet nutritional products and source recommendation from peers across digital channels. Our marketing strategy focuses on driving digital engagement within key social platforms, educating consumers on the benefits of Zesty Paws™ in a fun, yet relatable format that is easily sharable. Our digital strategy also focused on driving reviews and recommendation through points of purchase, where we have successfully driven over 350,000 5-star reviews and ratings on key e-commence websites.

Distribution network and sales

Our current distribution network and sales activities can be divided between three broad product groups (i) adult nutrition and care products, (ii) baby nutrition and care products and (iii) pet nutrition and care products.

Adult nutrition and care products

Our primary markets for our adult nutrition and care products are China and Australia and we have a growing presence in several other international markets, including Hong Kong, Singapore and Italy. We have centralized warehouse distribution center located in Melbourne, Australia, China and Hong Kong, and a TGA licensed packing facility located in Melbourne, Australia that packs select lines of Swisse™ branded products. Our contract manufacturers package the majority of our other lines of products.

Australian distribution network

In Australia, we sell our Swisse™ branded adult nutrition and care products primarily through pharmacies, grocery and e-commerce channels, which constituted a significant portion of our revenue for the adult nutrition and care segment for the year ended 31 December 2023 and the six months ended 30 June 2024.

Cross-Border E-Commerce sales into China

We offer our Swisse™ branded adult nutrition and care products on all major Chinese cross-border e-commerce platforms including Alibaba, JD.com, VIP.com, Kaola and Tiktok. In March 2016, we launched our flagship store on Tmall.HK which had more than 5 million followers as of 30 June 2024.

Since 2017, our Swisse™ brand has been ranked No. 1 in terms of sales value in the VHMS products category on Alibaba's e-commerce platforms in China. We believe that our market reputation and brand recognition in Australia and New Zealand for our Swisse™ branded adult nutrition and care products has driven an increase in demand for our adult nutrition and care products in China.

During the 2024 Double 11 shopping festival, Swisse recorded strong growth and ranked No. 1 in GMV across all major platforms including Tmall, JD and VIP.

Normal Trade sales into China

On 8 April 2017, we officially launched Swisse's normal trade sales in China, leveraging the Group's existing and new nationwide retail network and starting with certain hero products such as Hair, Skin and Nail (HSN) and Cranberry Concentrate in liquid and effervescent forms. Swisse is the first Australian company to obtain "blue hat" approval through filing for its best-selling product Calcium + Vitamin D. Since then, we have continued to enlarge our normal trade product portfolio by introducing more blue hat SKUs. In addition, we are increasing sales in the fast-growing normal trade e-commerce market channel in China through the continued implementation of our digital marketing strategy, live webcasts and online campaigns.

Passive sales into China

Passive sales into China refers to the practice of consumers, predominately in Australia, purchasing our Swisse™ branded adult nutrition and care products from retailers or other channels and subsequently bringing those products into China for personal use or re-selling those products in China.

Passive sales into China typically come from (i) commercial resellers who purchase large quantities of our Swisse™ branded adult nutrition and care products from pharmacy retailers or the Company in Australia and subsequently sell the products primarily through online Chinese e-commerce platforms on a B2C basis and (ii) tourists and individuals living or traveling in Australia who either ship Swisse™ branded products by direct mail into China or carry Swisse™ branded products for gifting or personal use in China on a C2C basis.

Baby nutrition and care products

We have an extensive distribution network in China that we have grown through our multiformat distribution strategy which utilizes an offline and online channel mix. For offline channels, our products are sold to regional distributors who then on-sell to baby specialty stores and retail sales outlets such as supermarkets and local pharmacies covering over 57,000 locations and supported by more than 2,800 in-store commissioned sales promoters as of 30 June 2024.

China sales team

We centralize our marketing functions at our headquarters of China operation in Guangzhou, China. In order to effectively conduct our sales and marketing activities, we have divided our sales and marketing team to cover all principal geographical regions, which extends our sales network into almost every province, municipality and autonomous region in China.

Within China, we operated 47 sales offices as of 30 June 2024. Our sales team is the primary point of contact between our regional distributors and us. Our sales team is responsible for recruiting new regional distributors in their designated region in order to expand our distribution coverage of our baby nutrition and care products in China. Our sales staff visits our regional distributors, baby specialty stores and regional sales outlets on a regular basis to ensure that they have sufficient stock and that our baby nutrition and care products are sold to consumers within the designated preservation period for the relevant product.

Regional distributors in China

We distribute our baby nutrition and care products offline through regional distributors in China and online via e-commerce platforms. For offline sales, our baby nutrition and care products are primarily sold to our regional distributors, who then on-sell our baby nutrition and care products to end consumers through baby specialty stores and retail sales outlets such as supermarkets and local pharmacies. As of 30 June 2024, we had arrangements with approximately 742 active regional distributors, which further distributed our products to more than 43,000 baby specialty stores, 3,200 modern trade stores and 11,000 pharmacies across almost every province, municipality and autonomous region in China. For online sales of our baby nutrition and care products, we work with established e-commerce platforms such as Alibaba, JD.com, VIP.com and Kaola.

Sales Channels

Baby specialty stores in China

Our baby nutrition and care products are predominantly sold to our consumers through baby specialty stores in China, which constituted over half of the total revenue for our baby nutrition and care products for the year ended 31 December 2023 and the six months ended 30 June 2024. We were one of the first baby nutrition and care product companies to provide infant formula products to baby specialty stores and we believe we are one of the largest participants in this channel. Baby specialty stores in China through which we offer all of our baby care and nutrition products, are retailers which sell clothes, food, baby care products and daily necessities for infants and young children. As of 30 June 2024, our sales network was comprised of approximately 43,133 baby specialty stores, which offer a complete range of our baby nutrition and care products.

Retail sales organizations in China

As of 30 June 2024, we had approximately 742 regional distributors. Our regional distributors also place our baby nutrition and care products to other retail sales organizations in China where our baby nutrition and care products are purchased by consumers, including department stores and supermarkets. Our baby nutrition and care products sold through supermarkets constituted a portion of our revenue for baby nutrition and care products for the year ended 31 December 2023. As of 30 June 2024, 3,219 department stores, supermarkets and hypermarkets had joined our sales network in China.

Pharmacies in China

We believe that we are one of a few pediatric nutrition companies in China that systematically utilize pharmacies as a sales channel for our baby nutrition and care products. Our baby nutrition and care products sold through pharmacies constituted a small portion of our revenue for our baby nutrition and care products for the year ended 31 December 2023 and the six months ended 30 June 2024. Our regional distributors place our baby nutrition and care products directly to pharmacies. Currently, our baby nutrition and care products are sold in 11,274 pharmacies in China.

Online sales

Our baby nutrition and care products are also sold to our consumers through online sales in China, which constituted a portion of total revenue for our baby nutrition and care products for the year ended 31 December 2023 and the six months ended 30 June 2024. We employ an independent, specialized team to manage all e-commerce channels including business-to-consumer (B2C) and consumer-to-consumer (C2C).

Pet nutrition and care products

E-Commerce Sales

We offer our Solid Gold™ and Zesty Paws™ products through various online channels including Amazon, and Chewy, as well as online stores of brick and mortar retailers such as PetSmart and Walmart. Zesty Paws™ products are also available through its own direct-to-consumer website.

The e-commerce channel continues to drive absolute dollar volume growth and push overall trends in pet foods within the global pet food categories. This growth has been partly driven by COVID-19 and also new digitally native shoppers entering the pet care category.

We maintain a sizeable business and working partnership with the largest US pet e-commerce platforms, such as Amazon and Chewy, where we distribute a variety of products under both Solid Gold™ and Zesty Paws™ brands. Zesty Paws™ is an online category leader in the US with its dog and cat supplements being ranked highly on the best-selling product lists on Amazon US (as of December 2023). We have invested significantly in online marketing and have built a loyal, highly engaged community which purchase products directly through e-commerce platforms.

Offline Sales

Zesty Paws™ and Solid Gold products are also sold through traditional bricks and mortar retail channels the US and China markets respectively. We also operate a global export business through key in-market distribution partners in several growing markets within Asia and the Middle East.

Within the United States market, Solid Gold™ has established itself as the first holistic pet food company in America, with positioning around get-health nutrition for pets. Solid Gold™ is sold through all major retail channels including the major national pet specialty chain PetSmart. Zesty Paws™ rapidly expanded its distribution network incorporating prominent retailers such as Walmart, Target, PetSmart, CVS, Tractor Supply, Sam's Club, Costco, Petco and Meijer broadening its market penetration and reaching a broader consumer base. The offline channel offers immense white-space opportunity for Zesty Paws™ and the growing pet supplements category. Zesty Paws™ achieved the top spot in the pet supplements category of Walmart stores less than two years from launch.

Inventory management and logistics

Our inventory comprises raw materials, finished products and packaging materials. We manage our inventory levels based principally on expected demand patterns and the volume of sales orders for our products.

We use an enterprise resource planning ("**ERP**") system to plan, monitor and control our inventory levels of raw materials and finished products, as well as inventory levels at our regional distributors and at retailers, to optimize our operations. Our ERP system allows us to monitor batches of our product from suppliers to us and on to our regional distributors and most retailers. This high level of control and monitoring allows us to track specific product batches in the event of any ingredient contamination and to selectively recall any compromised product batches rather than having to do a global product recall. While we have never been required to do a product recall, we believe this system can significantly reduce costs and allow a much faster response in the event of a product safety issue.

Each type of inventory is stored in separate areas to avoid cross contamination and to facilitate classification and stocktaking. To maintain optimal storage conditions, we ensure that our storage areas are well ventilated, and our powdered materials are appropriately distanced from the walls of the storage room to avoid exposure to humidity.

We have inventory management procedures in place that ensure the planning and allocation of storage space and stock of our inventory meets delivery requirements and schedules. All our products are sold on a first-come-first-serve basis. The details of our products, including names of the suppliers, the date of entry and the preservation period, are recorded in our ERP system, which enables us to write off any obsolete inventory. We also dispose of any damaged or defective products which are returned to us by our regional distributors.

Adult nutrition and care products

In relation to the Australian market, the majority of finished product is delivered to a distribution warehouse in Altona, Victoria, Australia which is operated by a third-party logistics provider, which directly manages our product distribution to customers in the region. We also deliver to wholesale distributors who then supply our adult nutrition and care products to pharmacies in Australia.

As part of our e-commerce sales in China, we ship our products to Hong Kong to be delivered to consumers in China or to bonded warehouses in China to be delivered on to consumers. For our adult nutrition and care products imported into China and stored in the warehouses in Hong Kong and bonded warehouses in the PRC, we do not own such warehouses and we engage third party logistics providers who provide label, packaging and storage services, as applicable, for which we are charged based on the number of product units sold. For other regions, we also utilize third part logistics providers to distribute product to our customers.

Baby nutrition and care products

We manage our inventory levels based principally on expected demand patterns and the volume of sales orders for our baby nutrition and care products. We store our inventory primarily in warehousing facilities which we lease and independently manage.

We outsource substantially all of our product transportation to logistics companies. Delivery costs are incorporated into the selling price of our products to our distributors. All of our logistics providers are independent third parties. We have long-term relationships with a large number of third-party logistics providers. The majority of the third-party logistics companies that we use have provided services to us for over three years.

Our logistics providers in China are selected through our internal tender process. We enter into fixed term supply contracts with logistics companies. The performance of our logistics providers is reviewed and assessed by us on a quarterly basis according to key performance indicators. We evaluate the results of our assessment with our logistics providers and discuss with them areas for improvement. Under the terms of the contracts, we are entitled to terminate the services of our logistics providers if they fail to meet our standards and requirements.

Pet nutrition and care products

We store our inventory primarily in third party owned and operated warehousing facilities which we contract through Master Service Agreements independently. The two primary storage and customer distribution facilities are located in Riverside, MO and Bolingbrook, IL. Both are operated by eShipping Distribution Services.

Our logistics providers in the United States are selected through a strategic evaluation process. We enter into annual storage agreement contracts with our third-party warehouses. Transportation is awarded through either an RFP process quarterly or annually based upon market conditions. The performance of our warehouses is reviewed and assessed by our logistics management team based upon agreed key performance indicators. We evaluate the results of our assessment with our logistics providers and discuss opportunities for improvement. Under the terms of the contracts, we are entitled to terminate the services of our logistics providers if they fail to meet our standards and requirements.

Suppliers and manufacturing

Our key suppliers

We source high quality premium raw materials and manufactured products principally in Western Europe, including France and Denmark as well as Australia and North America. We adopt a rigorous approach when selecting our ingredients and material inputs to ensure they are premium and of the highest quality and efficacy standards. Our products are produced based on our specific design specifications and formulas utilizing manufacturing best practices and leading technologies.

In our adult nutrition and care segment, our suppliers must be licensed by the TGA and meet GMP requirements, meaning our adult nutrition and care products are manufactured to pharmacy grade standards. We believe complying with these requirements provides us with a competitive advantage and has helped us to establish our Swisse™ branded adult nutrition and care products as premium, high quality and safe. We operate a scalable supply chain model for our adult nutrition and care products which encompasses product development, research, marketing and distribution. We maintain capability across multiple suppliers in different regions for our key products in our adult nutrition and care business to minimize supply risk to our operations. All of our adult nutrition and care products are produced by our suppliers according to our specifications and are delivered in finished form. We source the high quality premium raw materials that are used in our products and we retain full control over product input and we regularly conduct quality testing processes. Once sourced, product production is primarily undertaken by our manufacturers based in Australia, North America, Asia and Western Europe.

We import all of our premium infant formula products complete with original packaging and only attach bar codes to our infant formula products, in order to facilitate distribution and consumer traceability, when they arrive at our plant in Guangzhou, China, except for our domestic infant formula range where the base formula is imported from France before final blending and packaging in our manufacturing facility in Changsha, China. We have agreements with a range of suppliers for our baby nutrition and care products and we aim to maintain surplus capacity in order to mitigate supply risk. Due to the corporate restructuring of one of our third-party suppliers, we will transition to an alternative supply source for IMF products by the first quarter of 2026.

We import from France and other Western European countries for our children's pediatric probiotic and nutritional supplements as well as other nutrition supplements which are blended and packed in our manufacturing plant in Guangzhou, China.

We source high quality premium manufactured products mainly in North America, including the United States and Canada as well as Thailand. Our products are produced based on in house development of specifications and formulas along with partnerships at our contract manufactures to ensure we are making the highest grade quality pet food.

All of our pet nutrition and care products are produced by our suppliers according to our specifications, with us conducting audits and walkthroughs of the facilities with the help of our quality group to ensure products are produced within our standards and specifications.

Our agreements with suppliers require that our suppliers meet stringent quality, safety and regulatory compliance standards. All of our infant formula supply agreements and many of our adult nutrition and care supply agreements have minimum quantity purchase requirements and relevant penalty terms. For most of our supply agreements, pricing is updated based on market prices of inputs semi-annually.

Our established long-term relationships with suppliers of our principal raw materials, including probiotic powder, and our original imported products such as infant formulas, adult nutrition and care products, and our stable demand for large quantities of these raw materials and original imported products, enable us to manage the quality, quantity and price of our raw materials and original imported products. As we jointly develop our products, we must establish relationships with our joint developers and suppliers long before a new product is produced and placed on the market.

Prior to a product being ready for mass production, we take part in product development work and projects that focus on the functionality, safety, quality and marketability of the relevant product. For example, we co-developed and tested our SN-2 PLUS infant formula product over three years with our ingredient supplier, Enzymotec. It is therefore important for us to have established long-term relationships with our product and raw material suppliers.

We have established and stable relationships with our principal suppliers and, although we are currently dependent on a limited number of suppliers for certain products, we maintain contact with potential alternative suppliers to add latency to our supply network. However, in certain cases we may need a transition period of up to three months to switch suppliers in order to ensure an alternative supplier can meet our high-quality standards, as well as meet regulatory requirements. In such cases, we keep additional inventory on hand to meet the bulk of our requirements during such a transition. In the past, our high growth rates, as well as unexpected higher product demand, has led to supply constraints from some of our suppliers, principally in our adult nutrition and care segment and our pediatric focused segments (other than infant formula). However, we have worked with suppliers to increase capacity and reduce lead times to no more than twelve weeks for our adult nutrition and care products and we keep a sufficient supply on hand to cover this lead time. We believe that our established and stable relationships with suppliers will enable us to obtain sufficient and stable supply of products to meet an increased consumer demand for our products.

Packaging materials used by us mainly include printed cardboard boxes and aluminum foil packaging.

Manufacturing process and facilities

Our manufacturing process primarily involves (i) nutritional supplements and pediatric probiotic carried out at our manufacturing facilities in Guangzhou, China, (ii) domestic infant formula products imported from France before final blending and packaging being carried out at our manufacturing facilities in Changsha, China, and (iii) goat milk infant formula products carried out at our manufacturing facilities in Sydney, Australia.

A manufacturer of nutritional supplements in China must pass the examination of the Health Food Manufacturing Permit to cover all aspects of the production process of nutritional supplements. The criteria for obtaining the Health Food Manufacturing Permit include qualifications related to, among other things, production premises and facilities, production process and quality control. At our manufacturing plant at Guangzhou, China with appropriate Health Food Manufacturing Permit, we primarily conduct the final manufacturing process for our pediatric probiotic and nutritional supplement products.

We believe we have obtained the relevant building ownership certificate(s) for our existing buildings in Guangzhou and Changsha, China, which is each used in the manufacturing of our infant formula and other pediatric and nursing and expectant mother products. Our manufacturing processes within China have been designed to comply with HACCP guidelines, which set out unsafe practices and preventive measures to enhance food safety by reducing or minimizing physical, chemical, and biological hazards during the production process. Also, our manufacturing plant at Guangzhou, China has implemented stringent sanitation procedures to prevent our employees from contaminating the production area.

We have also implemented a repair and maintenance system for equipment and facilities in order to run our manufacturing facilities efficiently in China. We have not experienced any material or prolonged stoppages of facilities due to any equipment or facility failure during the last three financial years.

Research, innovation and product development

The aim of our R&D activities is to provide innovative and scientifically validated products as well as to improve and develop production processes across our products. We believe that our R&D is important to maintaining our leading competitive position. Our R&D approach has been to focus on joint development and/or cooperation with our suppliers in addition to our independent R&D activities in Guangzhou and Europe. For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2023 and 2024, we invested RMB144.0 million, RMB158.2 million and RMB206.1 million, RMB84.9 million and RMB104.0 million, respectively, in R&D, which amounted to 1.2%, 1.2%, 1.5%, 1.2% and 1.6% of revenue for the corresponding time periods. Our R&D team, which consists of science, product development and technology teams, includes 295 employees across Australia, Asia, China, Europe and the United States. Among the employees, 23 obtained a PhD qualification and 109 a master's qualification, as of 30 June 2024. We intend to continue to invest in our in-house R&D activities, as well as strengthening our joint and collaborative development partnerships with reputable third-party R&D institutes.

Adult nutrition and care products

We engage expert cross-functional teams across Marketing, R&D, Product Development, Regulatory, Quality, Operations, Sales and Finance in our product development process. Working in cross-functional teams throughout the end-to-end process from opportunity identification all the way through to development and launch, helps us to ensure that we are working on the right opportunities, in the right markets and with the best possible expertise, which in turn enables us to achieve the best possible

outcome for development and product launch. In addition to working on new product opportunities, we also focus on enhancing our existing products.

We utilize a Stage Gate process for existing and new product development. Gates have been designed at key points in time throughout the product development process to ensure Global and Regional Executives and Senior Leaders are informed of progress and can sign off on key decisions to enable products to continue through to the next stages of development. This process ensures all products and key strategic projects have the full support and expertise of the organization behind them, whilst still enabling agility and speed-to-market through decisions being made quickly and on a well-informed basis.

Our focus on product development allows us to provide our consumers with an increasingly diverse offering of products that are aspirational to the consumer, premium in quality and proven through traditional and scientific evidence. We take a strategic approach to innovation, ensuring our product offerings are developed based on both consumer needs and emerging global trends, not only in the short term, but also focusing on and investing in medium-long term opportunities. As we consider any new and emerging opportunities, we explore consumer needs, market trends and channel opportunities across all of our global markets from the outset to understand where the best opportunities are.

Our commitment to advancing science and research behind our products is evidenced by our investment in clinical trials on our products. We work in close consultation with leading research organizations, academics, scientists and clinicians in the field of integrative medicine to ensure the health benefit claims behind our adult nutrition and care products are backed by scientific analysis. We have recently completed clinical trials for three Swisse products and have four real-world studies underway. With respect to these programs of work, we engage globally recognized vendors, academic institutions and ICH GCP experienced clinical trial sites.

Baby nutrition and care products

We have dedicated baby nutrition and care R&D centers in Guangzhou, China and Changsha, China which have been operating since 2009 and 2014, respectively, and focus on nutrition science and food technologies. We also have an R&D team based in France and Ireland which have been operating since 2011 and 2013, respectively, and focus on infant formula processing technology and nutritional science in order to develop high quality infant formula supported by strong science.

As well as with our suppliers, we also collaborate with leading research centers such as the Department of Nutrition at U.C. Davis, INRA France, and Teagasc Research Centre Ireland, and in 2014, we established in Guangzhou the Biostime Institute for Nutrition and Care ("**GZBINC**"), an international platform to facilitate expert communication and academic exchange among medical and scientific professionals in China. We have also established BINC as a Swiss Foundation in Geneva to support European and other western countries academic research.

Within our baby nutrition and care products we aim to introduce high-quality ingredients, advanced formulations and the use of advanced and/or proprietary production technology and processes to develop premium products for our consumers and continuously improve quality control. We work closely with our suppliers in the selection and formulation of ingredients and we typically designate specific ingredients and formulations for our products pursuant to our supply contracts in order to ensure our standards with respect to output, function, safety, quality and cost for any specific product are met.

Our product development process focuses on improving and developing our existing products, as well as the development of new products. Our sales promoters also provide us with timely and direct consumer feedback to assist our product development and innovation. Prior to commercial production of a new or improved product, we engage in market analysis to assess consumer needs and preferences as well as to analyze the ingredients and materials used in a product to consider whether it responds to consumers'

needs and preferences. Our sales promoters and Mama100 membership program also provide us with consumer feedback that we utilize in our product development. We also engage in extensive feasibility studies and laboratory research with our suppliers and third-party institutions to ensure the specifications of products are effective and safe, and for our infant formula products, close to the nutritional values of breast milk. We also conduct a cost-benefit analysis on our new products and aim to optimize our existing manufacturing facilities where possible for the production of our new products. Our new product launches are scheduled in accordance with our marketing plan.

We also participate in clinical research to verify the safety and efficacy of our products, which can take two to three years prior to launching new products. Through this approach we have been able to introduce novel and improved products into the Chinese market such as (i) infant formulas that include vegetable oil, (ii) our SN-2 PLUS infant formula that was introduced in June 2015, (iii) the application of full-formulation spray drying technique to promote nutrition dissolution and (iv) our HMO SN-2 PLUS infant and young child formula that was introduced in 2021. We are also developing IMF formulations that use only plant derived ingredients. Our proposed range will undergo clinical testing to validate safety and nutritional efficacy. We also focus on launching category based innovative products, including products under the fish oil category.

Pet nutrition and care products

We work in cross-functional teams to share opportunities for new or improved existing products into concepts. Concepts are morphed into projects where we narrow down the details required for the finished products such as ingredients, claims, and cost. Finished products need to not only fulfill the project requirement but they need to be safe, accepted by pets, and compliant with local and/or governing authority bodies.

We use a Stage Gate process for both existing and new product development projects. In each gate, senior leaders and key stake holders are informed of the progress to provide approvals and key decisions in a timely manner. Due to the Stage Gate process, projects have the full support and expertise to achieve the best speed-to-market.

Externally, we work closely with key suppliers, contract manufacturers, and strategic partners to identify new ingredients and/or technologies used to develop and manufacture the best possible products.

Competition

Competition in our product categories is based on the following factors: brand recognition and loyalty, product quality, effectiveness and nutritional value, marketing, promotional activity and the ability to identify and satisfy consumer preferences, product innovation, distribution and availability of products, and price. We believe that our target consumers primarily choose products based on their nutritional quality and safety.

We focus on the marketing of our premium tier and super-premium tier infant formula products. Premium tier and super-premium tier infant formula products are considered by Chinese consumers to be safer and of higher quality compared to similar products in lower tiers.

In the infant formula segment in China, we primarily compete with international brands, as well as domestic providers. We believe that infant formula brands in China can be broadly categorized into three groups: (i) international brands, which are primarily in the premium tier and super-premium tier categories; (ii) domestic brands with infant formulas produced from milk powder sourced from outside China, which are primarily in the mid-to-high tier, premium tier and super-premium tier categories; and (iii) domestic brands which produce infant formulas from milk powder predominately produced in China, which are primarily in the low tier and mid-tier categories. We believe that our infant formula products

compete in the premium tier and super-premium tier pediatric nutrition products market, and to a lesser extent in the mid-tier market, on the basis of (i) our focus on brand recognition as a provider of high-quality Western Europe sourced infant formula products, (ii) product quality, including imported ingredients and nutritional values close to breast milk, and (iii) distribution network. For our mid-to-high tier infant formula, price is also a competitive factor. See "*Industry Overview*" and "*Risk Factors — Risks relating to our businesses and industries — Our profitability may suffer as a result of competition in the markets in which we operate*". We believe that we can effectively compete driven by our commitment to develop scientifically advanced, high-quality infant formula products using high quality imported ingredients from overseas, which allows us to distinguish from our Chinese competitors who manufacture or source key raw materials within China. We also believe that with our significant investment in R&D, our Industry know-how and track record of introducing innovative products, we will be able to continuously improve the quality of our premium line of infant formula products so that they remain competitive against similar products from major international brands. We believe that due to regulations which required completion of registration of formulas of infant formula products sold on the Chinese market by the end of 2018, there is an ongoing process of consolidation in the infant formula market and a reduction in the number of brands and products offered. We believe we are well placed to comply with these regulations and our premium products will continue to be competitive advantage.

In the probiotics sub-segment in China, we primarily compete with other Chinese probiotics manufacturers. We believe that we are able to effectively compete by having quality products and being an early entrant and innovator in the market.

In the adult nutrition and care products segment, we primarily compete with other adult vitamin, health and supplement manufacturers. See "*Industry Overview*" and "*Risk Factors — Risks relating to our businesses and industries — Our profitability may suffer as a result of competition in the markets in which we operate*". We believe that we are able to effectively compete by (i) maintaining premium image, aligned with growing demand of consumers who are willing to pay more for aspirational, high quality and proven products, (ii) focusing on category leading products, (iii) continuing with our innovative and effective comprehensive marketing and (iv) focusing on premium product quality backed by science.

In the pet nutrition and care products segments, we primarily compete with other pet food and pet supplement providers in the United States and in China. We believe that we are able to sustain our advantages by having high quality innovative products and adopting a digital focused marketing strategy where we have built a loyal following with digital native consumers. We conduct market research on a regular basis in the markets in which we compete to track the prices of our competitors' products. We also take into account principal factors, such as production costs, product type, target market and market prices of similar products when determining the price of our products. We also indicate recommended retail prices to our distributors for our products.

Employees

As of 30 June 2024, we had 3,064 employees across various countries, such as China, Australia, the US and France.

In accordance with the relevant local regulations, we have entered into employment contracts with all our full-time employees and contribute to appropriate social welfare insurance for them.

We have adopted several policies to provide incentives to our employees and to enhance their productivity. Remuneration packages consist of both salaries and bonuses, which are both adjusted based on performance. We conduct periodic performance reviews for all employees. Regular trainings are provided to sales staff, our office team and management team.

We emphasize the long-term training of our managerial personnel and employees. For our management team, we have established a training plan that aims to support and encourage our management team to continue improving their management skills. The plan includes reimbursement for training costs and arranging seminars and workshops for them. We also have training programs organized by different departments. The training programs focus on providing training to newly hired employees and continuing training for existing employees.

We also provide regular training for the sales staff working in our sales offices. These training programs includes promotion skills training, operational knowledge training and product display training, all of which seek to improve their sales skills to better serve our consumers. We also organize competition events for the sales staff to improve their skills and facilitate better communication among our sales staff from different locations.

Properties

Our global head office is located at Suites 4007-09, 40/F, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong. In the first quarter of 2022, we established a second head office in London to support our strategy to grow and globalize our business, located at The Aircraft Factory, 100 Cambridge Grove, London W6 0LE UK.

The head office for our China operations is located at No. 10 Guangbao Road, Huangpu District, Guangzhou, China and the head office for our operations in Australia is located at Level 6&7, 88 Langridge St., Collingwood, Victoria 3066, Australia. In addition, we have office locations in United States, Europe, New Zealand and across Asia, primarily to support sales and distribution of our products in those respective regions. The following table sets forth, as of 30 June 2024, the principal manufacturing and distribution facilities and other properties used by us:

Location	Type
Science City, Guangzhou, China	Manufacturing and R&D facility
Changsha, China	Manufacturing facility
Toulouse, France	R&D facility
Auburn NSW, Australia	Manufacturing facility
Keilor Park VIC, Australia	Packing facility
Swindon, United Kingdom	Storage and distribution facility[(1)]

(1) For the warehouses in Hong Kong and bonded warehouses in the PRC that we use to store our inventories, we do not own such warehouses and we have not entered into lease agreements; instead, the relevant third party provider provides labeling, packaging and storage services, as applicable, for which we are charged based on the number of units of products sold.

In March 2014, we established a joint venture manufacturing facility, operated by Hangzhou Coamie Personal Care Products Co., Ltd. ("**Hangzhou Facility**"), in accordance with a joint venture agreement we entered into with Hangzhou Coco Healthcare Co., Ltd. ("**Hangzhou Coco**") on 10 January 2014. As of 31 December 2023, we had invested RMB40.0 million for a 20.0% interest in our Hangzhou Facility. The profits of the joint venture are split in accordance with the ownership of the venture. See "*Business — Suppliers and manufacturing — Other pediatric products*".

All equipment and machinery in our manufacturing facilities, except for the forklift trucks and certain equipment and machinery at our Hangzhou Facility which is operated under the joint venture agreement, is owned by us.

In some countries we use third-party logistics ("**3PL**") providers that provide capability and resources to our supply chain.

Quality and safety control

We have had no major quality issues or any recalls. We believe product safety and quality is a key differentiator of all of our products and we seek to continuously improve our product safety and quality system to ensure high, consistent quality of all our products.

Our procurement department performs detailed evaluation of the background of our raw material suppliers. Our suppliers also have in house quality control teams that ensure raw materials and finished products comply with the relevant international and national safety standards. We audit our suppliers to ensure they have adequate quality controls and sourcing requirements. We also perform additional laboratory experiments and assessments on our products for quality, including solubility testing of our infant formula products.

Adult nutrition and care products

For our adult nutrition and care products, we are focused on using the highest quality ingredients in our products. Ingredients are selected based on a demanding criterion and vetted by a rigorous quality assurance process. Our VHMS products are compliant with the Australian TGA which has some of the most stringent requirements in the world for vitamin, minerals and supplements which are equivalent to those of pharmaceutical products. We research emerging trends and intelligence for botanical and herbal extracts, looking for adulterants, authenticity and bulking-agent trends and work closely with our key raw material suppliers to validate these, by identifying material taxonomy, conducting macroscopic identification and HPLC/HPTLC (high performance liquid chromatography/high performance thin layer chromatography) identification. We also perform random testing for authenticity and adulterants, including heavy metals and pesticides.

We are actively involved in the process validation at contract manufacturers as required by GMP. Normally a contract manufacturer performs process validation according to their own requirements under GMP. However, we are involved in the setup of process validation protocols and review of reports. Prior to engaging in business with a new contract manufacturer, we perform supplier qualification process by site visit, desktop audit and on-site audit. We require all contract manufacturers, through the quality agreement, to maintain procedures and processes including (i) change control management, which require our approval for all changes to raw materials, testing, limits, product attributes, etc., and (ii) product quality review, which require the contract manufacturer must provide Swisse a periodic report on all quality aspects on according to an agreed schedule). Our quality agreement with key contract manufacturers is detailed and specific in content, and we require quality assurance oversight of all operational matters at our contract manufacturers.

We also have large stability testing program involving a number of key manufacturers. This testing and monitoring allow us to assure the quality of our full range of vitamin, mineral and herbals products by quantifying the underlying compounds rather than just allowing visual and physical stability to be performed on the final product.

Baby nutrition and care products

Quality control is essential for our baby nutrition and care products in China, since all of our baby nutrition and care products are designed for the consumption and use by infants, young children as well as expectant and nursing mothers. We believe that the only way to achieve and maintain the high quality of our products is through conducting tests, experiments and trials in order to comply with applicable PRC health and safety regulations for food products.

Quality assurance department

In order to implement our quality assurance program for products sold in China, we have a quality assurance department in China. The employees in our quality assurance department have technical

expertise as well as quality control and management capabilities gained from work experience in the field of food or pharmaceutical research and analysis as analysts, food inspectors and nutritionists. The global quality department which includes quality control teams, quality assurance teams and suppliers quality team are managed and overseen by the head of the global quality department. To ensure consumers' satisfaction and to gain their trust and confidence, our focus on quality extends not only to product quality but also to management quality, employee work quality and consumer service quality.

Conduct supplier quality assessments including incoming raw materials quality control

We believe that product quality assurance starts at the raw material procurement stage, where our Procurement Department performs detailed evaluation on our raw materials and product suppliers. In order to effectively perform incoming raw materials quality control, we evaluate areas including the background, industry experience, personnel expertise, financial condition and world-wide reputation of the relevant supplier, and most importantly, the quality and safety of the suppliers' products or raw materials. Our quality control team will perform sample inspection for each batch of different types of imported raw materials and imported products with original packaging. The inspection process includes inspecting the appearance, details of nutrition labels affixed on the packages and completeness of the imported raw materials and products. Subsequently, a small amount of random samples of each batch of imported raw materials and products are passed over to our quality control team to conduct laboratory experiments by utilizing advanced testing apparatus such as the ultraviolet spectrophotometer and the constant temperature incubator to analyze the nutrition contents and sulfur oxide, and to detect the growth rate and amount of microorganisms, as well as to verify and ensure that the composition and nutritional values of such raw material or products comply with PRC national standards. Such samples will also be sent to the relevant local authority established by the former AQSIQ for their inspection and a sanitary certificate will be issued to us if those samples satisfy the relevant PRC national standards. In addition, before the raw materials that we ordered are transferred to the sterile zone for production, such material will be transferred to a room where their packaging will be carefully removed and the raw material contents will be disinfected by an ultra violet disinfectant screen.

Inspections at each step of our production process

A full in-house quality test is performed by our suppliers' quality control teams and our in-house quality assurance department to ensure each batch of our products meets the high-quality standards that we set as well as applicable regulations of both the country of origin and the PRC. First the products are tested by our suppliers to confirm compliance with EU regulations. Upon shipment to the PRC, samples are also tested by the local authority established by the former AQSIQ to confirm compliance with all Chinese regulatory requirements. Before products are shipped to our distributors, we also test each batch to confirm it meets our standards.

Detailed assessments are performed where our quality control team performs full inspection of such products at respective stages when the nutrition substances are being added, by utilizing advanced testing equipment to measure and detect all nutrition contents as required by relevant PRC regulatory standards as well as other groups of specific nutrients and substances. Such assessments are performed according to the requirements of the CFDA to comply with the standards as stipulated in the Appraisal Standard of Probiotics Healthy Food (益生菌類保健食品評審規定) and List of Probiotics Applicable for Healthy Food (可用於保健食品的益生菌種名單) promulgated by the MOH (Ministry of Health).

To fully comply with the appraisal standards set forth by the MOH or other applicable standards set forth by other relevant authorities on color, taste, nutrition levels and safety, a sample from each batch of our food products will undergo experiments that are performed by our suppliers' quality control teams and/or our in-house quality assurance department to verify and ensure that such requirements are fully complied with before proceeding to the final stage.

Final inspections and delivery control

As soon as we receive the relevant confirmation that our products have complied with all the applicable requirements and are ready to be produced, we will launch our final stage of the quality assurance program — the industrial trial. For our probiotic products, a CFDA confirmation will be granted if all of the CFDA's requirements are complied with. Such CFDA confirmation granted will last for five years and the CFDA will perform another check on such products once the five-year period expires for the extension of the CFDA confirmation validity.

For all products produced in our factory or products imported with original packaging, our quality control team performs testing on each batch of products to confirm the quality as well as the safety of our products and issues a test report. The in-house quality control teams of our raw material and product suppliers will also ensure that their raw materials or products are in compliance with international food safety standards, including the Western European Union's prohibition on the use of hormonal growth promotants on dairy cows, before their raw materials or products are delivered to us.

We conduct our manufacturing and packaging processes in a plant with appropriate Health Food Manufacturing Permit, where the production of domestic infant formula products, pediatric probiotic and nutritional supplement products, vegetable powder and baby cereals are conducted under class 10,000 and class 100,000 air cleanliness levels, respectively. The air-conditioning level meets the required GMP standard, all production facilities are cleaned and disinfected regularly, and production workers have to strictly follow disinfection rules by disinfecting their outfits and hands regularly and conduct each production and packaging process in accordance with the standard operating procedures. All of the above are designed to preserve any ingredients or raw materials from any contamination.

Full compliance with laws and regulations and rigorous implementation of our quality assurance program

We also comply with the organic food production requirements and standards under the Organic Food Production Act of 1990 for the production of our organic nutritional products.

The production process of those products made in China is conducted in our plant with appropriate Health Food Manufacturing Permit to meet applicable national quality standards of China. Its scope of inspection covers the production of our probiotic products. While our quality control team will conduct assessments on our suppliers and incoming raw materials, inspections at each stage of the production process in our plant will also be carefully monitored and regular sample testing of each batch of our products are conducted. Final inspection will also be performed for each batch of products to ensure the quality of our products.

Our employees, in particular staff from our production and quality assurance department, frequently take part in internal training and external educational programs. We believe that through rigorous implementation of our quality assurance program, we will be able to achieve a reputation for maintaining a consistently high product quality and safety, which is a reputation that will allow us to retain existing consumers and attract new consumers among industry leaders in the premium pediatric nutritional products segment and baby care products market.

We also follow strict government regulations on safety in the workplace and require all employees to comply with safety rules at all times. We also provide safety-related trainings to our employees and have established safety standards which are specific to each stage of our production process. We have also maintained a full body injury insurance coverage for all employees.

Pet nutrition and care products

Our contract manufacturers test incoming products for both safety and nutritional aspects based on agreed upon specifications. In addition, we randomly and routinely test raw ingredients to ensure quality,

safety, and nutritional specification are met. Through this iterative process, we develop products that are safe, can consistently meet the guaranteed analysis, and are AAFCO and/or NASC compliant.

Our finished products are on a positive release program. Finished products are placed on hold after production, waiting on microbiological pathogen testing prior to being released from hold. We receive finished product retains and manufacturing and/or analytical data from our contract manufacturers. Retains are reviewed and we routinely perform random testing at several 3rd party labs to ensure guaranteed analysis, safety, and other quality/nutritional aspects are met. In addition, we also test majority of our diets for heavy metals on an annual basis.

Insurance

We maintain insurance policies with insurance companies with respect to properties, equipment, and inventories covering loss due to fire, explosion, earthquake, typhoon, flood and certain other risks.

As of the date of this offering memorandum, we have product liability insurance for all our products. However, such policies only cover the direct costs of damages that may be paid to consumers, and do not cover regulatory fines and reputational damage in the event of a safety issue relating to our products. While we believe our insurance policies to be adequate and in line with respective industry norms in the relevant markets, significant damage to any of our manufacturing facilities, whether as a result of fire or other causes, could have a material adverse effect on us. In addition, we do not require insurance from our suppliers and distributors.

Legal and regulatory proceedings

As a top 1000 taxpayer in Australia, Biostime Healthy Australia is subject to the Australian Tax Office's (ATO) compliance programs, which started in August 2019. Biostime Healthy Australia is currently undergoing an Australian tax examination and the relevant final tax assessment from the ATO is expected to be completed by 30 June 2025. Biostime Healthy Australia is being assisted in the discussions by external advisors.

Except as otherwise disclosed in this offering memorandum, we are not currently involved in any material litigation, arbitration, claim or regulatory proceedings pending or threatened against us or any of our subsidiaries. However, we may become involved from time to time in various claims and lawsuits in the ordinary course of our business, such as product liability claims, employee claims, claims brought by our competitors, disputes with our suppliers and with other third parties as well as intellectual property disputes. See "*Risk Factors — Risks Relating to Our Businesses and Industries — We may from time to time become party to litigation, other legal disputes and proceedings that may materially and adversely affect us*".

Intellectual property

Intellectual property rights are of fundamental importance to our business since we rely significantly on consumer recognition of our brand names, such as Swisse™, Biostime™, Zesty Paws™, Solid Gold™, Dodie™, Good Goût™ and Aurelia™ in order to market our products. We have registered, and/or applied for the registration of, a number of domain names, trademarks, service marks and copyrights in China and Australian authorities in the European Union as well as in countries such as the United States, Hong Kong, Taiwan, Thailand, Malaysia, Singapore, Indonesia, France, the United Kingdom, Italy, Switzerland, the Netherlands, Russia, Denmark and New Zealand. As of 30 June 2024, we owned 2,170 registered trademarks in the PRC, Hong Kong, Macau and Taiwan together, 201 registered trademarks in North America, 182 registered trademarks in Australia and New Zealand and 1,158 registered trademarks in other countries worldwide. We renew our registrations, which vary in duration, as necessary, in a timely manner. In June 2024, to strengthen our intellectual property management, better control the

associated intellectual property risks and enhance the value of our intangible assets, we established a set of group intellectual property management policies.

Our products are generally not protected by patents. However, we have know-how related to our products, their formulations and production which is protected by confidentiality agreements with our suppliers and employees, and agreements with some of our key suppliers and manufacturers which prohibit them from using our formulas for competitive products. We believe that a significant portion of the value of our business is in our brand and we are vigilant in protecting our brand from counterfeiters and infringement, including by instituting verification systems so that our consumers can confirm they are purchasing our products. However, we may have limited recourse, particularly in the PRC, against infringers and counterfeiters. See "*Risk Factors — Risks relating to our businesses and industries — We may not be able to register and adequately protect our intellectual property rights. Unauthorized use of our intellectual property rights by third parties, and the expenses incurred in registering and protecting our intellectual property rights, may materially and adversely affect our business and competitive position*".

As of the date of this offering memorandum, we believe that we have all material trademarks and other intellectual rights required for our businesses, and we are not aware of any material intellectual property infringements.

Digital and Information technology

We believe that digitalization and informatization are crucial enablers of our business growth ambitions, which not only enhance our operation efficiency, enterprise management maturity and compliance across the globe, but also strengthen our value chain partnership and consumer engagement with competitive advantage under the Digital and Big Data era. With a clear global Digital and Information Technology strategy and roadmap, the key highlights are summarized as below:

- ***Informatization:*** With the roll out of our group ERP system in the past three years, the majority of our backbone operation, including order to cash, procurement-to-pay, manufacturing and finance now all operate under a single IT platform, which fully realized the operation efficiency uplift, finance management and compliance enhancement via integration of operation and finance globally. Apart from ERP, the Global Traceability System offers end-to-end visibility and traceability capability of our value chain at the SKU level. Also, inventory optimization as our biggest working capital is being enabled by the roll out of Global Planning Tool with supply planning accuracy uplift. Besides, the Global Formulation Tool implementation is expected to significantly improve our new product development efficiency with NPD resource integration and process standardization globally. The new HCM system manages our human capital and organization data globally as single source of true, while fully comply with General Data Protection Regulation ("**GDPR**") and cross broader data regulations in all countries.

- ***Digitalization with Big Data:*** By leveraging digital and data, we are transforming our consumer focus from a marketing mindset into real business models and best practices. We have accumulated massive consumer data with demographic information and shopper behaviors for all business units from both online and offline channels as first-party data assets into our CDP platform. The CDP data is being integrated into Media DMP platform with big data modeling and algorithm, to achieve intelligence impression, engagement and conversion on our consumers with significant digital media effectiveness uplift. Besides, through robust digital solutions implementation such as CRM, SCRM, DAM, we maintain a strong loyalty program with high consumer digital engagement, which continue improving consumer activation efficiency and effectiveness via marketing automation and relevantly precise retargeting. A single white-label codebase Shopify platform has been built and is being rolled out globally to serve the fast expansion of our DTC business in all regions, and to ensure the consistency and the premium image of our global brands. Regarding the digital innovation, we are proactively driving the GenAI commercialization agenda

with multiple business scenarios pilot and scaling up, such as GenAI Promoter Assistant, which enables our promoters to provide more professional nutrition supplement recommendations and health management solutions to our customers. To support our strong online business demand on e-commerce platforms and TikTok, GenAI content pilot is expected to significantly uplift the digital content creation efficiency. From functional domains, Digital Employee with RPA solution deployment on Finance, Supply Chain and HR massively drives efficiency and people cost savings. Digital Filing solution enables paperless file storage for Finance, which makes strong contribution to the ESG program of our group.

Environmental matters

For information on environmental matters in relation to our business, please refer to "*Regulation*".

REGULATION

The People's Republic of China

Regulation on infant milk formula, food and dairy products and pet food products

Reorganization of Governmental Regulatory Agencies

On 17 March 2018, the National People's Congress (全國人民代表大會) (the "**NPC**") approved the institutional reform plan of the State Council, according to which, the China Food and Drug Administration (國家食品藥品監督管理總局) (the "**CFDA**"), General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) ("**AQSIQ**") and General Administration for Industry and Commerce of the PRC (國家工商行政管理總局) are merged into a new authority, the State Administration for Market Regulation (國家市場監督管理總局) (the "**SAMR**") and the National Health and Family Planning Commission of the PRC (國家衛生和計劃生育委員會) (the "**NHFPC**") is replaced by National Health Commission of the PRC (國家衛生健康委員會) (the "**NHC**"). The SAMR will take over, among others, the responsibilities of the former CFDA as China's major food regulatory agency, including the supervision of infant milk formula products and heath food and the responsibilities of AQSIQ, including the standard management of infant milk formula products and heath food (its responsibilities in the entry-exit inspection of imported and exported commodities are merged into the General Administration of Customs). The NHC's main responsibilities, among other things, will include developing healthcare policies, coordinating and expanding healthcare reform, organizing the national essential drug system (i.e., drugs reimbursed by all health insurance plans), regulating in the areas of public health, medical services and health emergencies. The institutional reform has been completed by the end of 2018.

Regulations on production safety

The Regulation on the Supervision and Administration of the Quality and Safety of Dairy Products《乳品質量安全監督管理條例》was issued and implemented by the State Council of the PRC on 9 October 2008, pursuant to which dairy animal breeders, fresh milk purchasers, and dairy products businesses and sellers are held responsible for the quality and safety of their products. These producers and sellers must assume responsibility for the quality and safety of the dairy products which they produce, purchase, transport and sell. Fresh milk and dairy products must comply with national safety standards for the quality of dairy products. These national safety standards are developed by the NHC and amended from time to time in accordance with the results of risk monitoring assessments. The addition of non-edible chemical substances or other substances which may be harmful to human health during the production process of dairy products is prohibited.

The Provisions on Supervision and Inspection of Producers of Infant Milk Formula《嬰幼兒配方乳粉生產企業監督檢查規定》, which were promulgated by the CFDA and came into effect on 27 November 2013, sets out responsibilities for the quality and safety of infant milk formula as well as the procedure for the supervision and inspection of infant milk formula producers. Infant milk formula producers must establish a quality and safety management mechanism and authorize an individual to ensure the quality and safety of infant milk formula within their line of production.

Registration and filing

According to the Food Safety Law of the PRC《中華人民共和國食品安全法》(the "**Food Safety Law**"), which was promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "**Standing Committee of NPC**") on 28 February 2009 and came into effect on 1 June 2009, and was latest amended on 29 April 2021, a producer of infant formula food must submit information on the raw materials of food, food additives, product formulas, labeling of food products,

among other things, to the food safety administration of its relevant province, autonomous region or municipality for record filing. The product formula of infant milk formula must be registered with the SAMR and the R&D report, along with other materials proving the safety of such formula, which must be submitted at the time of the registration.

The Administration Regulations for the Registration of Product Formulas of Infant Formula Milk Powder Products《嬰幼兒配方乳粉產品配方註冊管理辦法》(the **"Registration Administrative Regulations**"), which were promulgated by the former CFDA on 6 June 2016 and came into effect on 1 October 2016, and amended by the SAMR on 26 June 2023 and became effective on 1 October 2023, provides for the registration of formulas of infant formula milk powder products manufactured and sold domestically or imported. For registering a formula of infant formula milk powder product with the SAMR, the applicants shall submit relevant materials including, among others, registration application form, R&D report of product formula and product examination report. Each enterprise in principle can only apply for at most 9 product formulas within 3 series. Enterprises which apply for the registration of formulas of infant formula milk powder products shall submit samples of labels and instructions and the relevant explanatory and supporting documents. On 29 October 2016, the former CFDA has further promulgated the Interim Provision on Application Material Items and Requirements for Registration of Formulas of Infant Formula Milk Powder Products《嬰幼兒配方乳粉產品配方註冊申請材料項目與要求(試行)》and the Interim Provision on On-site Check Points and Judgment Rules for Registration of Formulas of Infant Formula Milk Powder Products《嬰幼兒配方乳粉產品配方註冊現場核查要點及判斷原則(試行)》which became effective on the day of issuance and set forth the detailed requirements on application documents and key items to be examined during the review process. The Interim Provision on Application Material Items and Requirements for Registration of Formulas of Infant Formula Milk Powder Products《嬰幼兒配方乳粉產品配方註冊申請材料項目與要求(試行)》was subsequently amended and came into effect on 23 May 2017.

The Notice on the Administration in the Transition Period of Registration of Formulas of Infant Formula Milk Powder Products《關於嬰幼兒配方乳粉產品配方註冊管理過渡期的公告》was promulgated on 30 September 2016 by the CFDA, pursuant to which, from 1 January 2018, all infant formula milk powder products manufactured in or exported to China shall obtain the registration certificate of formula of infant formula milk powder products in accordance with law, and the registration number shall be specified in the label and instructions. All infant formula milk powder products that have been approved to be manufactured and sold in or exported to China prior to 1 January 2018 may be still sold until their expiration date.

The Announcement on Matters of Registration of Formulas of Infant Formula Milk Powder Products《市場監管總局關於嬰幼兒配方乳粉產品配方註冊有關事宜的公告》was promulgated by the SAMR on 23 March 2021, pursuant to which registered formulas of infant formula milk powder products shall be re-registered in accordance with new national standards taking effect on 22 February 2023 for food safety, including the National Standards for Food Safety Infant Formula Food《食品安全國家標準嬰兒配方食品》(GB 10765-2021), the National Standards for Food Safety Older Infant Formula Food《食品安全國家標準較大嬰兒配方食品》(GB 10766-2021) and the National Standards for Food Safety Young Children Food《食品安全國家標準幼兒配方食品》(GB 10767-2021).

The Interim Technical Guidelines on Standardizing Labelling for Registration of Formulas of Infant Formula Milk Powder Products《嬰幼兒配方乳粉產品配方註冊標籤規範技術指導原則(試行)》were promulgated by the CFDA and came into effect on 24 May 2017. The guidelines provide for the content requirements, form requirements and prohibitive requirements for labeling of infant milk formula products. The Announcement on Further Standardization of Formulas of Infant Formula Milk Powder Products Labelling and Identification《市場監管總局關於進一步規範嬰幼兒配方乳粉產品標籤標識的公告》was promulgated by the SAMR on 12 November 2021, pursuant to which, the labeling and identification of products produced since 22 February 2023 shall comply with the requirements therein.

The Infant Formula Food Ingredient Registration Guidelines《嬰幼兒配方食品原料等事項備案工作指南》(the "**Registration Guidelines**") were promulgated by the SAMR on 29 September 2024 and became effective on the same day. According to the Registration Guidelines, enterprises engaged in the production and sale of infant formula food within the PRC must, prior to manufacturing infant formula food, file the following information with the provincial-level AMR: the food ingredients and food additives to be used (including brand, origin, packaging specifications, quality requirements/standard numbers, supplier names, manufacturer names, and the registration number for products using these ingredients/additives); the actual composition and quantity of the product formula to be produced; and the product labels for products in all packaging specifications actually produced. For foreign manufacturers, it is encouraged to follow the aforementioned provisions and file the relevant information with the provincial-level AMR in the locations of their agents, importers, or distributors, as reflected on the product label. This is to enhance the management of the product's entire lifecycle, ensuring that products are traceable from the entry of raw materials to the dispatch of finished products. According to a news release from SAMR published on 9 October 2024 on its official website《一圖讀懂|〈嬰幼兒配方食品原料等事項備案工作指南〉》, the Registration Guidelines are a guiding document and do not set a transition period. For products that have been registered and launched, further regulatory supplementation may be required, and provincial-level AMR may specify re-filing requirements based on actual circumstances. As of 20 December 2024, the local AMR of Guangdong and Hunan provinces have not issued further regulations clarifying re-filing requirements or timelines for those products that have already been registered and launched. According to our recent communication with the relevant administrative authorities, domestically produced infant formula milk powder will require filing once the provincial-level AMR system is established and tested. Currently, the absence of filing does not affect the production and sale of these products. For imported infant formula milk powder, filing is not required at present, and any future requirements will be communicated accordingly. Therefore, we will maintain communication with the relevant administrative authorities and proceed with the necessary filing in accordance with local practices when required.

Production permit review

The Rules for the Review of Production Permit of Infant Formula Milk Powder (2013 version)《嬰幼兒配方乳粉生產許可審查細則(2013版)》was issued by the CFDA and took effect on 16 December 2013, and has been repealed by the 2022 Review Rules, which was issued by the SAMR on 14 November 2022 and took effect that same day. The 2022 Review Rules specify the rules and standards for the review of infant formula milk powder production permit and the modification and extension of permitting. The different status and stages of production must be in compliance with several national standards, such as the National Standards for Food Safety Raw Milk《食品安全國家標準生乳》(GB 19301), the National Standards for Food Safety Powdery Infant Formula Food Good Manufacturing Practice《食品安全國家標準粉狀嬰幼兒配方食品良好生產規範》(GB 23790), and the National Standards for Food Safety Infant Formula Food《食品安全國家標準嬰兒配方食品》(GB10765-2021) or the National Standards for Food Safety Older Infant Formula Food《食品安全國家標準較大嬰兒配方食品》(GB10766-2021). According to the Notice on Further Reinforcement of the Work of Regulation of Infant Formula Powder《關於進一步加強嬰幼兒配方乳粉監管有關工作的公告》("**Circular 184**") which was promulgated on 2 December 2016 by the CFDA and came into effect on the same day, infant formula powder factories that belong to the group company are allowed to continue using the base powder produced by base powder factories which belong to the same group but are located in different factory district. Under Circular 184, the enterprises that have obtained the production permit of infant formula milk powder before the implementation of the Measures for Formula Registration shall apply for extension of the permit in accordance with relevant requirements in the Administrative Measures for Food Production Permit《食品生產許可管理辦法》if such permit expires before 1 January 2018.

Alternatively, the enterprises shall submit the documents for registration of formulas of infant formula powder products when applying for extension of the production permit, if such permit expires on or after 1 January 2018. In addition, enterprises that apply for the production permit of infant formula powder after the implementation of the Measures for Formula Registration shall submit the registration documents of formulas of infant formula powder products.

Imports and exports

The Regulations on Administration of Registration of Overseas Producers of Imported Food《進口食品境外生產企業註冊管理規定》("**Imported Food Regulations**"), promulgated by the AQSIQ on 22 March 2012 and came into effect on 1 May 2012, adopted a catalog to determine the scope of the overseas producers which shall apply for registration, and the Implementation Catalogue of Registration of Overseas Producers of Imported Food《進口食品境外生產企業註冊實施目錄》, was issued periodically by the AQSIQ The Regulations on Administration of Registration of Overseas Producers of Imported Food《中華人民共和國進口食品境外生產企業註冊管理規定(2021)》("**PRC Imported Food Regulations 2021**") was promulgated by the General Administration of Customs (海關總署) (the "**GAC**") on 12 April 2021 and came into effect on 1 January 2022, since when the aforementioned Imported Food Regulations was repealed. Pursuant to PRC Imported Food Regulations 2021, all overseas producers of imported food shall register with GAC, and the producers of dairy products are subject to recommendation by the competent authority of the place where it is located.

The Provisions on Record-Filing Administration of Importers and Exporters of Imported Food《進口食品進出口商備案管理規定》, which were issued by the AQSIQ on 5 April 2012 and came into effect on 1 October 2012, sets forth the rules of record-filing management for foreign exporters or agents that export food to the PRC and domestic recipients of imported food, and the rules of record-filing for the consignee of imported food to its business registration inspection and quarantine institutions.

The Measures for the Supervision and Administration of Inspection and Quarantine of Imported and Exported Dairy Products《進出口乳品檢驗檢疫監督管理辦法》, was promulgated by the AQSIQ on 24 January 2013 and took effect on 1 May 2013, and has been repealed by the Measures of the People's Republic of China for the Administration of Safety of Imported and Exported Food《中華人民共和國進出口食品安全管理辦法》(the "**2022 Measures**"), which was promulgated by the GAC on 12 April 2021 and took effect on 1 January 2022. Pursuant to the Announcement on Specifying the Relevant

Requirements for the Inspection and Quarantine of Imported Dairy Products《關於明確進口乳品檢驗檢疫有關要求的公告》, which was promulgated by the GAC on 23 December 2021 and took effect on 1 January 2022, overseas producers shall, with respect to the first import of dairy products, provide the testing report regarding the items listed in the corresponding national food safety standards, and with respect to the non-first import of dairy products, provide a photocopy of the first import inspection report and the original of the testing report of the items required by the GAC.

Pursuant to the Announcement on the Strengthening Management of Imported Infant Formula Milk Powder《關於加強進口嬰幼兒配方乳粉管理的公告》, which was issued by the AQSIQ on 25 September 2013, the infant milk formula of overseas producers which have not been registered is not allowed to be imported since 1 May 2014. In addition, since 1 April 2014, Chinese labels of imported infant milk formula must be printed directly on the smallest sales package before they are imported.

Pursuant to Announcement on Implementing the Notification and Commitment System for the Testimonial Matters in the Inspection Reports of Imported Dairy Products《關於實行進口乳品檢測報告證明事項告知承諾制的公告》, which was issued by the GAC on 5 July 2021, after the importers of dairy products or their agents make commitments in written that they have met the conditions and requirements and are willing to assume the legal liabilities for the false commitments, the customs shall not require inspection reports when accepting the customs declarations of imported dairy products but handle the relevant matters according to the written commitments.

The Announcement on Requirements Related to the Implementation of National Food Safety Standards for the Inspection of Imports of Infant Formula, Processed Cheese and Other Products《關於嬰幼兒配方食品、再製乾酪等產品進口執行食品安全國家標準檢驗相關要求的公告》was promulgated by the GAC on 30 December 2022, according to which overseas enterprises shall produce food products exported to China under the new national standards from the effective date of the new national standards.

Food hygiene and safety laws and regulations

Food safety and hygiene

The principal laws governing food safety and hygiene in the PRC are the Food Safety Law (and the Regulations for the Implementation of the Food Safety Law《中華人民共和國食品安全法實施條例》("**Regulations on Food Safety**"). The Regulations on Food Safety were promulgated by the State Council (國務院) on 20 July 2009 and came into effect that same day, and latest amended on 11 October 2019 and came into effect on 1 December 2019.

The Food Safety Law standards are compulsory and cover the following areas, among others:

(i) provisions on the quantitative limits of pathogenic micro-organisms, pesticide residues, veterinary medicine residues, biotoxins, heavy metals, and other pollutants, as well as other substances harmful to human health that are contained in food, food additives and food-related products;

(ii) allowable types and dosages of food additives, and the products such additives can be used in;

(iii) nutritional ingredient requirements of staple and supplementary foods used exclusively for infants and other specified groups of people;

(iv) requirements for labels, markings and instructions relevant to health, nutrition and other food safety requirements;

(v) hygiene requirements for food production and operation;

(vi) quality requirements relating to food safety;

(vii) methods and procedures for food inspection and testing with respect to food safety; and

(viii) other matters that shall be formulated as food safety standards.

National food safety standards are formulated by the health administrative department of the State Council in concert with the food safety supervision administration of the State Council. In the absence of national food safety standards regulating local specialty food, the health administrative departments of all provinces, autonomous regions and municipalities in the PRC (collectively referred to as "**Health Authorities**") may formulate local food safety standards which are submitted to the Health Administrative Department of the State Council for filing. Local food safety standards can be repealed or overridden by the promulgation of national food safety standards. Additionally, businesses that engage in the production of food are encouraged to formulate enterprise standards that are more stringent than national or local food safety standards and are applicable to their specific enterprises. These enterprise standards can then be reported to the Health Authorities.

Under the Food Safety Law, food production and operation are subject to the following hygiene requirements:

(i) appropriate food production premises for raw food materials disposal and food processing, packaging and storage, which must be sufficient for the variety and quantity of food under production or operation, must be provided; premises must be kept clean and tidy; and certain distances between such premises and toxic or hazardous sites or other sources of contamination must be maintained;

(ii) appropriate production and operation equipment or facilities that are sufficient for the variety and quantity of food under production or operation must be provided, as well as corresponding equipment or facilities for disinfection, dressing, washing, lighting, illumination, ventilation, anti-corrosion, dust-proofing, fly-proofing, rat-proofing, insect-proofing, cleaning and sewage disposal, garbage and other waste storage;

(iii) full-time or part-time professional food safety technicians and management personnel must be employed, and they must follow the applicable rules and regulations that ensure food safety;

(iv) a reasonable equipment layout and technical process must be adopted to prevent cross-contamination between food to be processed and ready-to-eat food and between raw materials and finished products, and to prevent food from being in contact with toxic and unclean substances;

(v) tableware utensils, drinking glasses, utensils and containers for ready-to-eat food must be washed and disinfected before use; cooking utensils and other utensils must also be washed after use and kept clean;

(vi) containers, utensils and equipment used for storage, transportation, and loading and unloading of food must be kept safe, harmless and clean to prevent food contamination and must conform to certain regulatory specifications such as temperature, humidity or other special controls required to ensure food safety; the storage and transportation of food together with toxic and hazardous substances must be avoided;

(vii) clean and non-toxic packaging materials, tableware utensils, drinking glasses, and other containers must be used for ready-to-eat food;

(viii) personnel engaging in food production and operation must maintain their personal hygiene, wash their hands and wear clean working uniforms and headgear in the course of food production and operation, and must use non-toxic and clean containers, utensils and equipment for the sale of ready-to-eat food without packaging;

(ix) water used must conform to the national hygiene standards for drinking water;

(x) detergents and disinfectants used must be safe and harmless to human health; and

(xi) certain other requirements prescribed by food safety laws and regulations.

Additionally, according to the Regulations on Food Safety, food producers and merchants must act in accordance with all laws, regulations and food safety standards, establish and improve their food safety management systems and adopt effective measures to ensure that their food products are safe.

Food production licensing

Since 2013, the CFDA has been responsible for centralized administration of food manufacturing. On 31 August 2015, the CFDA promulgated the Administrative Measures for Food Production Licensing《食品生產許可管理辦法》, which came into effect on 1 October 2015, and was latest amended on 2 January 2020 and came into effect on 1 March 2020. Pursuant to the Administrative Measures for Food Production Licensing, any company that manufactures food in China must obtain a food production license (食品生產許可證), which is valid for five years. The food manufacturers must also file license renewal applications with the local branch of SAMR which originally issued their license up to 30 working days prior to its expiration.

Currently, Health and Happiness (H&H) China Limited has a food production license which will expire on 29 August 2026. Biostime (Changsha) Nutrition Foods Limited ("**Biostime (Changsha)**") (formerly known as Adimil (Changsha) Nutrition Products Limited) has a food production license which will expire on 10 October 2026. Biostime (Guangzhou) Health Products Limited has a food production license, which will expire on 3 June 2025.

The Notice on the Issuance of General Rules of Review of Food Production License《關於印發食品生產許可審查通則的通知》(the "**General Rules 2016**") was promulgated by the CFDA on 9 August 2016 and came into effect from 1 October 2016, and has been replaced by the Notice on the Issuance of General Rules of Review of Food Production License is repealed by the Announcement of the State Administration for Market Regulation on Issuing the General Rules for the Examination of Food Production Licensing (2022 Version)《市場監管總局關於發佈〈食品生產許可審查通則(2022)版〉的公告》(the "**General Rules 2022**"), which was promulgated on 8 October 2022 and took effect on 1 November 2022. The General Rules 2022 shall be applied to the examination of food production licensing and the modification and extension of licensing organized by market regulatory departments since its effective date. Pursuant to the General Rules 2022, applying for the Food Production License shall submit a set of application materials including, among others, the application form, the flow chart of food production process, and the list of principle equipment and facilities for food production. Apart from the above, while applying for production licenses of infant formula food, the applicants shall also submit certain documents required additionally.

Food import and export regulatory system

Under the Food Safety Law, imported food, food additives and food-related products must comply with the PRC's national food safety standards. Imported food and food additives must pass testing by the entry-exit inspection and quarantine authorities in accordance the laws and administrative regulations on entry-exit inspection of imported and exported commodities. These commodities must also be accompanied by documents of testing compliance.

The Regulations on Administration of Registration of Overseas Producers of Imported Food《進口食品境外生產企業註冊管理規定》("**Imported Food Regulations**"), promulgated by the AQSIQ on 22 March 2012 and came into effect on 1 May 2012, adopted a catalog to determine the scope of the overseas producers which shall apply for registration, and the Implementation Catalogue of Registration of Overseas Producers of Imported Food《進口食品境外生產企業註冊實施目錄》, was issued periodically by the AQSIQ. The Regulations on Administration of Registration of Overseas Producers of Imported Food《中華人民共和國進口食品境外生產企業註冊管理規定(2021)》("**PRC Imported Food Regulations 2021**") was promulgated by the GAC on 12 April 2021 and came into effect on 1 January 2022, since when the Imported Food Regulations were repealed. Pursuant to PRC Imported Food Regulations 2021, the overseas producers of all imported food shall register with GAC, and the producers of dairy products are subject to recommendation by the competent authority of the place where it is located. Under the Law on Import and Export Commodity Inspection of the PRC《中華人民共和國進出口商品檢驗法》, which was promulgated on 21 February 1989 and latest amended on 29 April 2021, as

well as its implementation regulations《中華人民共和國進出口商品檢驗法實施條例》, which was promulgated on 31 August 2005 and latest amended on 29 March 2022, the GAC has set out a list of imported and exported commodities that require mandatory inspection. Exit-entry inspection and quarantine authorities will carry out inspections on commodities that are on the list, as well as on other imported and exported commodities that are required to be inspected under other laws and administrative regulations. Commodities which require inspection will be inspected in accordance with the mandatory requirements of the national technical specifications. Commodities which do not have such mandatory requirements are regulated by the relevant overseas standards designated by General Administration of Customs. Imported commodities which require inspection cannot be sold or used before such inspections have been completed. Pursuant to the Measures on the Administration of Inspection and Quarantine of Entry-exit Express Deliveries《出入境快件檢驗檢疫管理辦法》, effective on 15 November 2001 and latest amended on 13 November 2024, cross-border personal mails that contain self-used items are exempted from inspection from the exit-entry inspection and quarantine authorities of the General Administration of Customs.

The Administrative Measures for the Safety of Imported and Exported Food《進出口食品安全管理辦法》(the "**2011 Measures**") was promulgated by AQSIQ on 13 September 2011 and has been repealed by the 2022 Measures, which was promulgated by the GAC on 12 April 2021 and took effect on 1 January 2022. Pursuant to the 2022 Measures, foreign exporters that export food to China, or their Chinese agents, shall submit required information on the imported food with the competent Customs office for record filing, and importers shall submit required documents with the local Customs for record filing. Additionally, as several changes to the 2011 Measures, the 2022 Measures (1) request foreign exporters or their Chinese agents and importers to update their change of filing information the competent Customs office within 60 days after the change, and (2) request food importers to establish a food import and sales record system, and keep the relevant records and receipts for at least six months after the expiration of the shelf life of the product, or at least two years after the sale if the shelf-life is not provided.

The Provisions on the Recordation of Customs Declaration Entities of the People's Republic of China《中華人民共和國海關報關單位備案管理規定》was promulgated by the GAC on 19 November 2021 and took effect on 1 January 2022, according to which the consignee or consignor of imported or exported goods or a customs declaration enterprise needs only to apply for record-filing to the Customs, with no registration with the GAC necessary any longer.

Food operation licensing

The Administrative Measures for Food Operation Licensing《食品經營許可管理辦法》("**Measures for Food Operation Licensing**") were promulgated by the CFDA on 31 August 2015 and came into effect on 1 October 2015, and was then amended and came into effect on 17 November 2017. According to the Measures for Food Operation Licensing, any operator that engages in food selling within the territory of the PRC must obtain a food operation license which remains valid for up to five years. The Measures for Food Operation Licensing (2017 Revision) have been abolished by the Administrative Measures for Food Operation Licensing and Filing《食品經營許可和備案管理辦法》("**Measures for Food Operation Licensing and Filing**") effective from December 1, 2023. According to the Measures for Food Operation Licensing and Filing, those who only sell pre-packaged food (including special food like "Health food" and "infant formula food") do not require a food operation license, but they need to report to the local SAMR for filing. Food operators who have obtained a food operation license do not need to file separately for sales of pre-packaged food. Similarly, food producers who have obtained a food production license are not required to file separately when selling their self-produced pre-packaged foods either at their production processing sites or through online platforms.

Regarding our certain PRC subsidiaries, Health and Happiness (H&H) China Limited obtained a food operation license on 31 October 2024, which will expire on 13 September 2028. Biostime (Changsha) obtained a food operation license on 29 October 2024, expiring on 22 March 2028. Biostime

(Guangzhou) Health Products Limited deregistered the food operation license it originally obtained on 20 May 2024. This decision aligns with the Measures for Food Operation Licensing and Filing, which state that a food producer with a food production license, selling only self-produced pre-packaged foods at their production sites or online, is not required to obtain a separate food operation license or file with the local SAMR.

Product quality and consumer protection

The Product Quality Law of the PRC《中華人民共和國產品質量法》("**Product Quality Law**"), which was promulgated by the Standing Committee of the NPC on 22 February 1993 and latest amended on 29 December 2018, sets out the food product quality provisions that food producers and sellers must abide by.

Under the Product Quality Law, responsibilities and obligations for food producers include:

(i) being responsible for the quality of products they produce;

(ii) ensuring that labels on the products or the packages thereof are authentic and genuine;

(iii) not producing any products that have been outlawed by PRC laws or decrees;

(iv) not forging the place of origin or fraudulently using the names and addresses of other producers;

(v) not forging or fraudulently using other producers' authentication marks or other product quality marks;

(vi) not mixing impurities or imitation ingredients into the products; substituting a fake product for a genuine one, a defective product for a high-quality one; or passing off a substandard product as a qualified one; and

(vii) ensuring that, for products that are fragile, inflammable, explosive, toxic, erosive or radioactive, products that cannot be placed upside down in the process of storage or transportation, or products for which there are other special requirements, packaging meets the corresponding PRC legal and regulatory requirements with respect to quality, display of warnings written in Chinese or other written instructions for storage or transportation.

Under the Product Quality Law, responsibilities and obligations for food product sellers include:

(i) adopting a check-for-acceptance system for stock replenishment and examination of quality certificates and other marks;

(ii) taking measures to maintain good quality of the products for sale;

(iii) not selling any expired and deteriorated products or products that have been outlawed by government orders;

(iv) selling products with authentic and genuine labels;

(v) not forging the place of origin or fraudulently using the names and addresses of other producers;

(vi) not forging or fraudulently using other producers' authentication marks or other product quality marks; and

(vii) not mixing impurities or imitation ingredients into the products; substituting a fake product for a genuine one, a defective product for a high-quality one; or passing off a substandard product as a qualified one.

Any producer or seller found to be in breach of the responsibilities and obligations specified under the Product Quality Law may be liable to civil penalties. If bodily injury is caused by a defect in a product, the producer or seller may be responsible for paying medical expenses, nursing expenses during medical treatment and lost income due to the absence from work. If bodily injury caused by a defect in a product has resulted in disability, the producer or seller may also be responsible for paying subsistence allowances, disability compensation, expenses related to self-care equipment and living expenses necessary for other individuals who were supported by the injured party. Where bodily injury caused by a defect in a product results in death, the producer or seller may be responsible for paying for funeral expenses, monetary compensation and living expenses necessary for other individuals who were supported by the deceased party. Additionally, the relevant authorities may order the suspension of production or sale, confiscate the products illegally produced or sold, impose a fine and seize any unlawful proceeds. In serious cases, business licenses may be revoked. When production and sale of defective products involves a criminal offense, the responsible parties may be subject to criminal penalties.

The Consumer Protection Law of the PRC《中華人民共和國消費者權益保護法》("**Consumer Protection Law**"), which was promulgated by the Standing Committee of the NPC on 31 October 1993, latest amended on 25 October 2013 and came into effect on 15 March 2014, sets out standards of behavior for business operators in their dealings with consumers.

Under the Consumer Protection Law, any consumer whose legal rights or interests are impaired in the course of the purchase or use of goods may claim compensation from the seller. When the liability lies with the manufacturer or supplier, the seller, after adequately compensating the consumer, has the right to recover such compensation from that manufacturer or supplier. Consumers or other parties who suffer personal injury or property damage arising from product defects may claim compensation from the either manufacturer or the seller. When the liability lies with the manufacturer, the seller, after adequately compensating the consumer, has the right to recover such compensation from the manufacturer, and *vice versa*.

The Regulations for the Implementation of the Consumer Rights Protection Law of the PRC《中華人民共和國消費者權益保護法實施條例》, promulgated by the State Council on 15 March 2024 and effective from 1 July 2024, provide detailed provisions regarding the obligations under the Consumer Rights Protection Law to ensure the safety of consumers' personal and property interests, handle defective products, prohibit false advertising, display clear pricing, use standard terms, fulfill quality assurance responsibilities, protect consumers' personal information and others.

Food standardization

The principal laws governing the food standardization is the Standardization Law of the PRC《中華人民共和國標準化法》, which came into force on 1 April 1989, amended on 4 November 2017 and came into effect on 1 January 2018, and its implementation regulations《中華人民共和國標準化法實施條例》, which became effective on 6 April 1990, amended on 10 March 2024 and came into effect on 1 May 2024. Under the aforesaid laws and regulations, standards in relation to protecting personal health and the safety of persons and property are imposed as "mandatory standards". Food hygiene standards are also part of the mandatory standards.

Food identification management system

Under the Food Identification Management Requirements《食品標識管理規定》, which were promulgated by the AQSIQ on 27 August 2007 and came into effect on 1 September 2008, as well as amendments dated 22 October 2009, food identification labels must state the name, place and date of production, expiry date, net content, list of ingredients, names and addresses and contact information of the producers, and the products standards codes. Food components or ingredients are required to be

disclosed on food labels. Nutritional ingredients and their percentages are required to be placed on labels for staple and supplementary food for babies, infants or other specified groups of people. Food labels with wordings such as "nutrition" or "strengthened" in their names or descriptions are required to state the nutrition and calories of such food and comply with the quantity identification required by the national standards. Food which is under the production licensing management scheme is required to show its food production license number.

Food recall system

The PRC has established a food recall system under the requirements of the Food Safety Law of the PRC.

On 11 March 2015, the CFDA issued the Administrative Measures for the Food Recall《食品召回管理辦法》which came into effect on 1 September 2015 and was amended on 23 October 2020. Pursuant to the Administrative Measures for the Food Recall, food recall is categorized into three grades based on the severity and urgency of food safety risks. Food can be recalled voluntarily or by administrative order. The grade-one recall is the most severe where, for instance, a food product has caused or is likely to cause serious health damage or even death, and the grade-three recall is the least severe applying to, for instance, any food product with false labels or incorrect identification information. A food producer may take the initiative to recall one of its food products once it becomes aware that the food product is unsafe either through self-examination and self-testing, complaints and tip-offs from the public, or information provided by business operators and supervisory and administrative departments, among other means. The relevant SAMR at or above the county level may order the food producer to recall the unsafe food product if it fails to proactively do so despite being so required.

The recall procedure shall be activated within 24 hours for a grade-one recall, within 48 hours for a grade-two recall, and within 72 hours for a grade-three recall since the food producer was first made aware of food safety risks, and the recall plan shall be reported to the relevant local SAMR at or above the county level. These procedures must be activated within 24 hours for a grade-one recall, within 48 hours for a grade-two recall and within 72 hours for a grade-three recall.

When an unsafe food product is sold within a province, autonomous region or municipality, its food recall announcement may be published on the website of the relevant provincial SAMR or via major provincial media outlets. When an unsafe food product is sold in two or more provinces, autonomous regions or municipalities, its food recall announcement may be published on the website of the SAMR or via major national media outlets.

After it publishes a food product recall announcement, the food producer must complete the recall within 10 working days for a grade-one recall, within 20 working days for a grade-two recall, and within 30 working days for a grade-three recall.

Under the Food Safety Law, which was latest amended on 29 April 2021, where a food business operator discovers that any food that it deals in falls under either of the circumstances as mentioned in the preceding paragraph, it shall immediately stop dealing in the food, notify the relevant producers, traders, and consumers, and record the stop of dealing in the food and notification. If the food producer deems it necessary to recall the food, it shall recall the food immediately. If any food that a food trader deals in falls under either of the circumstances as mentioned in the preceding paragraph and it is caused by the food trader, the food trader shall recall the food. Where an importer discovers that any imported food fails to meet the national food safety standards of China or, as shown by evidence, is potentially hazardous to human health, it shall immediately stop importing the food and recall the food.

Supervision of use of food additives

Under the Food Safety Law, no food additive may be used in food unless it has been deemed necessary and has been proven to be safe and reliable after passing risk assessments. Relevant national food safety standards may be revised in a timely manner according to technical necessity and food safety risk assessment results. Food producers and business operators may use food additives in accordance with national food safety standards.

A food producer must inspect the license and product compliance certification document from a supplier when purchasing raw materials for producing food, food additives and food-related products. For any supplier who is unable to provide a compliance certification document, an inspection of the raw materials for producing food must be implemented in accordance with applicable food safety standards. Raw materials for food, food additives or food-related products which do not comply with the national food safety standards may not be purchased or used. A food production business must establish an inspection record system for the raw materials purchased for producing food, food additives and food-related products. This inspection system should record information such as the names, specifications, quantities, production date or batch numbers, shelf life and purchase date of the raw materials for producing food, food additives and food-related products, as well as the names, addresses, contact details and relevant certificates of the business's suppliers. Records and certificates must be kept for at least six months after the expiration of the shelf life of the product. If the product has no shelf life, records and certificates must be kept for at least two years.

Under the Measures for the Administration of New Varieties of Food Additives《食品添加劑新品種管理辦法》("**Measures for Food Additives**"), which were promulgated by the Ministry of Health (衛生部) ("**MOH**") and became effective on 30 March 2010, and amended on 26 December 2017 ("new varieties of food additives" provided under the Measures for Food Additives refer to those varieties of food additives that are not regulated by food safety national standards, not listed in the permitted use catalog published by the NHFPC, or one of the food additives whose scope of use or dosage has been expanded. The NHFPC (having been replace by the NHC) is responsible for considering applications submitted by businesses or individuals who engage in the production, operation, use or importation of new varieties of food additives. In accordance with the technical features and food safety risk analysis of new varieties of food additives under the Measures for Food Additives, the NHFPC (having been replaced by the NHC) may announce permitted food additives varieties and designate the scope of use and dosage under national food safety standards with respect to these additives. The NHFPC (having been replaced by the NHC) may make a timely reassessment when new food varieties are found to pose a safety risk either by scientist research or by other means, or if the technical usage of the additive is proven to no longer be essential to food production. Approved varieties of food additives may be revoked and the scope of use and dosage may be revised by the NHC if an applicant fails the re-examination process. With respect to the aforementioned national food safety standards, the currently applicable standards were announced by NHC on 8 February 2024, including the National Standards for Food Safety Use of Food Additives《食品安全國家標準食品添加劑使用標準》(GB 2760-2024).

The Notice of Recent Rectification Work for the Nationwide Combating of the Illegal Addition of Non-edible Substances and Abused Use of Food Additives《全國打擊違法添加非食用物質和濫用食品添加劑專項整治近期工作重點及要求》, jointly issued by nine authorities including the MOH on 6 March 2009, states that no non-edible substances, such as leather hydrolyte, melamine, β-lactamase, and sodium sulfocyanate, may be added into milk and dairy products, and that the use of thickeners, fragrance and color agents, among other enumerated substances, may not be abused in the production of milk and dairy products.

The Notice on Further Reinforcement of Regulation on Food Additives Production promulgated by the General Office of the CFDA (國家食品藥品監督管理總局辦公廳) on 11 July 2016《關於進一步加強食品添加劑生產監管工作的通知》provides that food additive products shall name "food additive" in its label, and specify its storage conditions, name and address of the manufacturer, and the scope and dosage of such additive.

Advertising

The Advertising Law of the People's Republic of China was issued on 27 October 1994 and took effect on 1 February 1995, and latest amended on 29 August 2021, pursuant to which advertisements shall not have any false or misleading content or defraud or mislead consumers, and the advertiser shall be responsible for the veracity of contents of advertisement.

In the Measures on Investigation and Handling of Unlawful Acts regarding Online Food Safety《網絡食品安全違法行為查處辦法》("**Measures on Online Food Safety**"), which was promulgated by the CFDA on 13 July 2016 and became effective on 1 October 2016 and was amended on 2 April 2021, food producers and operators trading on self-built websites shall, within 30 business days of approval by the competent communications authority, file with the local branch of SAMR at the city or county level and obtain a filing number. Food producers and operators that sell health food and infant formula powder online, besides the disclosure of Business License, Food Production License and Food Operation License on the corresponding self-built websites, shall also disclose the product registration certificate or the filing certificate, and the approval document number for advertising review if applicable, all of which shall be linked to the corresponding data query page on the website of SAMR. Health food shall prominently be labeling "this product cannot replace drugs".

The Interim Provision on Administration of Internet Advertisements《互聯網廣告管理暫行辦法》, which was promulgated by the State Administration for Industry and Commerce (國家工商行政管理總局) (the "**SAIC**") on 4 July 2016 and became effective on 1 September 2016, provides that the publication of advertisements on medical treatment, drugs, medical equipment, pesticides, veterinary drugs, health food, among others, shall be subject to the approval of the advertisement examination authority.

The Interim Provision on Administration of Internet Advertisements was replaced by the Measures for Administration of Internet Advertisements《互聯網廣告管理辦法》, which was promulgated by the SAMR on 25 February 2023 and came into effect on 1 May 2023. The Measures for Administration of Internet Advertisements also provide that the publication of advertisements on health food, among others, shall be subject to the approval of the advertisement examination authority, and advertisements subject to examination all be published as approved without unapproved editing, stitching or modifying.

Pursuant to Interim Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Health Food and Formula Foods for Special Medical Purposes《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》, which was promulgated by SAMR on 24 December 2019 and became effective on 1 March 2020, the contents of an advertisement on health food shall be governed by the registration or filing certificate and product instructions approved by the administration of market regulation, and shall not mention disease prevention or treatment functions. An advertisement on health food involving any health protection functions, product's functionality or products functional ingredients and the content thereof, suitable people or consumption amount, etc., shall not exceed the scope on the registration or filing certificate and product instructions. Additionally, the validity period of an approved advertisement on health food shall be consistent with the minimum validity period of the product's production license.

Pursuant to the Implementing Regulation for the Food Safety Law of the People's Republic of China (2019 Amended)《中華人民共和國食品安全法實施條例(2019修訂)》, which was promulgated by the State Council on 11 October 2019 and became effective on 1 December 2019, it is prohibited to make false publicity of food by any means including conferences, lectures and health consultation. Further, any food other than health food shall not be claimed to have the functions of health care.

Registration and filing of health food

On 26 February 2016, the CFDA issued the Measures for the Administration of the Registration and Filing of Health Food《保健食品註冊與備案管理辦法》("**Registration and Filing Measures**"), which lays out rules and regulations governing health food that are contained in the Food Safety Law and has replaced the Measures for Administration of the Registration of Health Food《保健食品註冊管理辦法》after coming into effect on 1 July 2016 and then being amended on 23 October 2020. The Registration and Filing Measures introduces a dual-track registration and filing system for health food. Under the Registration and Filing Measures, the registration system, as was in place previously, applies to health food: (i) made from ingredients not covered by the Health Food Ingredient Catalogue ("**Ingredient Catalogue**"); and (ii) imported into China for the first time (excluding nutritional supplements, such as vitamins and minerals). The filing system, which is newly adopted by the Registration and Filing Measures is applicable for health food: (i) made from ingredients covered by the Ingredient Catalogue; and (ii) containing nutritional supplements that are imported into China for the first time, on the condition that such nutrients should be substances included on the Ingredient Catalogue. Health food entered into the filing system will be exempted from onsite inspection and technical review by the SAMR as well as other onerous procedures under the registration system. Additionally, if application documents are deemed to be satisfactory by the SAMR, the SAMR will approve the filing of the health food immediately upon receiving the application.

The Health Food Ingredient Catalogue of Nutrient Supplements (2023 Edition)《保健食品原料目錄營養素補充劑(2023年版)》and the Permitted Claimed Functions Catalogue of Nutrient Supplements (2023 Edition)《允許保健食品聲稱的保健功能目錄營養素補充劑(2023年版)》promulgated by the SAMR, NHC and National Administration of Chinese Traditional Medicine came into effect on 1 October 2023. On 15 August 2024, the SAMR, NHC and National Administration of Chinese Traditional Medicine also promulgated the Permitted Claimed Functions Catalogue of Non-Nutrient Supplements (2023 Edition)《允許保健食品聲稱的保健功能目錄非營養素補充劑(2023年版)》, which came into effect on the same day. The Health Food Ingredient Catalogue of Nutrient Supplements includes 24 kinds of nutritional supplements, with each having multiple permitted forms of chemical compounds and the corresponding permitted level of dosage. The Permitted Claimed Functions Catalogue of Nutrient Supplements provides that health food can claim to have functions of supplementing vitamins and mineral substances.

On 14 November 2016, the CFDA promulgated the 2016 Rules for Review and Approval of Health Food Registration《保健食品註冊審評審批工作細則(2016年版)》, which is applicable to new product registration, extension of registration, transfer of technology, changes of registration, reissuance of certificate, among others, relating to review and approval of health food that is made from ingredients not covered by the Ingredient Catalogue and is imported into China for the first time (excluding health food complementing nutrients such as vitamins and minerals).

On 24 January 2017, the CFDA issued Public Notice of the China Food and Drug Administration on Matters concerning the Administration of the Filing of Health Food《國家食品藥品監管總局關於保健食品備案管理有關事項的通告》, which provides that, from 1 May 2017, domestic production enterprises and overseas manufacturers that produce or import health food with the raw materials listed in the Health Food Ingredient Catalogue I《保健食品原料目錄(一)》, which was replaced by aforementioned Health Food Ingredient Catalogue of Nutrient Supplements, shall file for the record in accordance with the Registration and Filing Measures. On 2 May 2017, the CFDA promulgated the Interim Guideline for the Filing of Health Food《保健食品備案工作指南(試行)》, which came into effect on the same day, is applicable to the health food filing system and provides for specific provisions in relation to the scope, procedures and document requirements for the filing of health food. To obtain filing, the health food must comply with the National Standards for Food Safety Health Foods《食品安全國家標準保健食品》(GB 16740-2014) issued by NHFPC on 24 December 2014.

Special rules on probiotic health food

In addition to following the registration and filing rules generally applicable to all health food, probiotic health food must comply with several other specifically promulgated regulations, including the Notice of

Circulating the Appraisal Standard of Fungal and Probiotic Healthy Food《關於印發真菌類和益生菌類保健食品評審規定的通知》, which was promulgated by the MOH on 23 March 2001 and came into effect on the same day, and the Interim Provision on Declaration and Evaluation of Probiotics Health Food《益生菌類保健食品申報與審評規定(試行)》, which was promulgated by the CFDA on 20 May 2005 and came into effect on 1 July 2005. These regulations set forth a list of categories of probiotics that can be used to manufacture probiotic health food, and provided for additional procedural and documentary requirements for the registration and manufacture of probiotic health food.

Import of Pet Food

Pursuant to the Regulation on Feed and Feed Additives, the exporter's office in China or its entrusted agency in China shall apply for the certificate for import registration of feed or feed additives (with a valid period of five years) to the competent administrative department of agriculture under the State Council when first exporting the approved feed for production and use by the exporting country. Import of the feed or feed additives without the certificate for import registration is prohibited.

Pursuant to the Administrative Measures for the Pet Feed《寵物飼料管理辦法》, which was promulgated by the Ministry of Agriculture and Rural Affairs of the PRC on 27 April 2018 and became effective on 1 June 2018, where an overseas pet feed production enterprise exports pet compound feed or pet additive pre-mixed feed to China, it shall entrust its office in China or its agent in China to apply for registration with the competent department of agricultural administration under the State Council and obtain the certificate for import registration.

Pursuant to the Administrative Measures for the Inspection, Quarantine and Supervision of Imported and Exported Feed and Feed Additives《進出口飼料和飼料添加劑檢驗檢疫監督管理辦法》, which became effective on 1 September 2009 and was amended on 9 March 2023 and came into effect on 15 April 2023, the GAC adopts a registration system for production enterprises of countries and regions allowed to export feed to China. Imported feed shall come from registered overseas production enterprises. The General Administration of Customs adopts a record-filing management over feed importing enterprises. The feed importing enterprise shall file for record with the customs at the place of domicile of the enterprise before or at the time of the first application for inspection and quarantine.

Regulations on Cosmetic Products

Supervision and Administration of Cosmetic Products

Pursuant to the Regulations Concerning the Hygiene Supervision over Cosmetics Products《化妝品衛生監督條例》("**Hygiene Regulations**"), which was promulgated by the former MOH on 13 November 1989 and most recently amended on 2 March 2019, cosmetic products are divided into special purpose cosmetic products and non-special purpose cosmetic products. Special purpose cosmetic products refer to those cosmetics used for hair growth, hair dye, hair perm, hair removal, breast massage, body building, deodorant, fading cream and sun protection. Any cosmetic product not covered by such scope is a non-special purpose cosmetic product. The Regulations on the Supervision and Administration of Cosmetics《化妝品監督管理條例》("**Supervision Regulations**"), was promulgated by the State Council on 16 June 2020 and became effective from 1 January 2021 to replace the Hygiene Regulations. Compared with the Hygiene Regulations, the Supervision Regulations and its implementation rules (including Measures for the Administration of the Registration and Record Filing of Cosmetics《化妝品註冊備案管理辦法》, which was promulgated by the SAMR on 7 January 2021 and became effective on 1 May 2021) clarify or amend certain provisions including without limitation the follows:

(i) Responsibilities of the different parties in the operation of cosmetics. The Supervision Regulations for the first time introduce the concepts of registrant and record-filing applicant of cosmetics. The applicant for registration or record-filing of cosmetics shall undertake the main responsibilities for

the quality, safety and effectiveness claims of cosmetics. Specifically, an applicant for registration or record-filing of cosmetics shall be responsible for the registration or filing before sale of such cosmetics, the monitoring of adverse reactions, the evaluation and reporting, product risk control and recall, and safety re-evaluation of the products and raw materials after sale of such cosmetics to ensure quality and safety of the registered/filed products. In addition, the claims for the effectiveness of all types of cosmetics shall be supported by sufficient scientific basis and an extract of the papers, research data or product evaluation material on which such effectiveness is claimed to be based shall be made public on websites designated by the regulatory authority. An applicant registering or filing the record for cosmetics shall be subject to the supervision of the SAMR.

(ii) Categories of cosmetics. Cosmetics are divided into special cosmetics and ordinary cosmetics instead of special purpose cosmetic products and non-special purpose cosmetic products. Special cosmetics refer to cosmetics for hair dye, hair perm, freckle removal and whitening, sun protection and hair loss prevention as well as those purporting to have new functions and effects, and ordinary cosmetics refer to cosmetics other than special cosmetics. The production and import of special cosmetics shall be registered with the SAMR. The production and import of ordinary cosmetics are subject to the record-filing administration.

(iii) Production of cosmetics. In case of entrusting a third party to manufacture, a registrant or record-filing applicant of cosmetics shall entrust an entity that has obtained corresponding cosmetics manufacturing license and supervise the manufacture.

Violations of the provisions of the Supervision Regulations will result in different penalties ranging from fines (fixed range or, in cases of severe violations, based on the values of the illegally manufactured goods), confiscation of raw materials, products illegally manufactured or sold and illegally obtained gains, revoking licenses, and suspension of business. Furthermore, pursuant to the Supervision Regulations, the responsible individual shall be subject to an industry operation banning period for five or ten years or even criminal liability.

Pursuant to Measures for the Supervision and Administration of Cosmetics Manufacturing and Operation《化妝品生產經營監督管理辦法》, which was promulgated by the SAMR on 2 August 2021 and became effective from 1 January 2022, cosmetics operators shall (i) establish and implement the inspection and recording system for purchased goods; (ii) verify the business license, the special cosmetics registration certificate or record-filing information of ordinary cosmetics, the product quality inspection conformity certificate of cosmetics of the direct suppliers and keep the relevant vouchers; and (ii) faithfully record the names of cosmetics, serial number of the registration certificate of special cosmetics or record-filing number of ordinary cosmetics, and record the service life, net content, purchase quantity, suppliers' names, addresses, contact information, purchase date and other contents.

The Administrative Measures for Cosmetic Inspections《化妝品檢查管理辦法》, promulgated by the National Medical Products Administration on 26 April 2024 and became effective on 1 November 2024, provide more detailed regulations regarding inspection procedures and requirements, as well as the handling requirements for inspection results, reflecting a strengthened regulatory oversight of the cosmetics industry.

The Provisions on the Supervision and Administration of Enterprises' Implementation of Primary Responsibilities for Cosmetics Quality and Safety《企業落實化妝品質量安全主體責任監督管理規定(“**Supervision Provisions**”) was promulgated by the National Medical Products Administration on 29 December 2022 and became effective from 1 March 2023. The Supervision Provisions emphasize that, a registrant or record-filing applicant, entrusted manufacturing enterprises of cosmetics shall be responsible for the quality, safety and effectiveness claims of cosmetics and shall manage the quality, safety of cosmetics registered or filed by them in the whole process from the research, development,

production, and operation of cosmetics. Furthermore, the legal representative of the registrant, record-filing applicant and entrusted manufacturing enterprises of cosmetics shall be fully responsible for the quality and safety work of cosmetics.

Importing of Cosmetic Products

Pursuant to Supervision Regulations and Measures for the Inspection, Quarantine, Supervision and Administration of Imported and Exported Cosmetics《進出口化妝品檢驗檢疫監督管理辦法》, which was promulgated by the AQSIQ on 13 January 2011 and took effect on 1 February 2012, and latest amended by the GAC on 23 November 2018 and took effect on the same day, exit-entry inspection and quarantine authorities will carry out inspections on the imported cosmetic products and only those products passing the inspection can be imported. The Customs adopt record-filing management on the consignees of imported cosmetics. Consignees of imported cosmetics shall record the flow of imported cosmetics and keep the records for at least two years.

Regulations on cross border e-commerce, import of personal postal articles and cosmetics consumption tax

Cross border e-commerce

The Notice on the Cross-border E-commerce Retailing Import Tax Policies《關於跨境電子商務零售進口税收政策的通知》("**Circular 18**"), which was jointly promulgated by the MOF, the GAC and the State Administration of Taxation (國家税務總局) (the "**SAT**") on 24 March 2016 and took effect on 8 April 2016, provides that cross-border e-commerce import could and be subject to, if applicable, customs duty, import VAT and consumption tax. Specifically, for cross-border e-commerce retail imports, the upper limit of a single transaction is RMB2,000, and the annual upper limit of individual transactions is RMB20,000. The tariff rate of 0% shall be temporarily applicable to cross-border e-commerce retail imports with a value below the said upper limits, while VAT and consumption tax on imports will be levied temporarily at 70% of the statutory taxable amount (without any exemption which was in place prior to the issuance of Circular 18). Beyond the aforesaid limits, the Circular 18 provides that (i) if the amount of any single transaction exceeds the relevant upper limit of RMB2,000, the tax shall be levied based on the full amount of the said transaction; (ii) if the annual accumulated amount of individual transactions exceeds the relevant upper limit of RMB20,000, then the tax shall be levied based on the full transaction amount of the first transaction that causes the excess as well as all the subsequent transactions thereafter within the said year; and (iii) if the duty-paid price of a single indivisible commodity exceeds RMB2,000, the tax shall be levied based on the full amount of such commodity. Under each of the aforesaid events, the tax shall be levied per the normal trade pattern.

The Notice on Improving Tax Policies for Cross-border E-commerce Retail Importation《關於完善跨境電子商務零售進口税收政策的通知》("**Circular 49**") promulgated on 29 November 2018 and took effect on 1 January 2019 improves the upper limit of a single transaction from RMB2,000 to RMB5,000, and the annual upper limit of individual transactions raised from RMB20,000 to RMB26,000. On 24 December 2019 and 28 January 2022, the MOF in association with several other governmental authorities issued the Announcement on Adjusting and Expanding the Checklist of Goods Imported under Cross-border E-commerce Retailing《關於調整擴大跨境電子商務零售進口商品清單的公告》(the "**Positive List 2019**") and the Announcement on Adjusting the Checklist of Goods Imported under Cross-border E-commerce Retailing《關於調整跨境電子商務零售進口商品清單的公告》(the "**Positive List 2022**"), which became effective on 1 January 2020 and 1 March 2022 respectively, and covers a variety of products ranging from food and beverages, cosmetics to a host of other goods and the tax policy under Circular 18 and Circular 49 are only applicable to goods on the Positive List 2019 (as amended by the Positive List 2022).

On 24 May 2016, the General Office of the GAC (海關總署辦公廳) issued the Notice on Matters regarding the Implementation of New Administrative Measures on the Cross Border E-commerce Retailing Import《關於執行跨境電子商務零售進口新的監管要求有關事宜的通知》("**Customs Notice**"), which provides that during a one-year transition period (the "**Transition Period**") until 11 May 2017 (i) for goods purchased through the channel of bonded cross border e-commerce in Tianjin, Shanghai, Guangzhou, Shenzhen and other six cities, the customs will not check the China Inspection and Quarantine clearance certificate when such goods are entering the bonded warehouses, and the requirement that goods listed on the Positive List (cosmetic, infant milk formula and health food, etc.) shall be registered or filed in China will be suspended; and (ii) for goods purchased through the direct-shipping channel, the requirement that goods listed on the Positive List (cosmetic, infant milk formula and health food, etc.) shall be registered or filed in China will be suspended. On 25 May 2016, the MOF issued a statement on the above customs notice which provides that the new taxation policy under Circular 18 will continue to be effective during the transitional period. Further to the Customs Notice, on 15 November 2016, the comments on extending the supervision transition period of retail import of cross-border e-commerce made by the spokesman of Ministry of Commerce was published on the official website indicating that the Transition Period will be further extended to the end of 2017. On 20 September 2017, the State Council executive meeting decided to extend the Transition Period until the end of 2018. On 21 November 2018, the State Council executive meeting decided to continue to extend the Transition Period from 1 January 2019. On 28 December 2017, the Ministry of Commerce in association with other seven governmental authorities have decided to expand the application of the Customs Notice to another five cities such as Hefei, Chengdu, Dalian, Qingdao and Suzhou. On 28 November 2018, the Ministry of Commerce in association with other five governmental authorities promulgated Notice on Improving the Supervision over Cross-border E-commerce Retail Imports《關於完善跨境電子商務零售進口監管有關工作的通知》, which stipulates that goods imported through cross-border e-commerce retailing shall be deemed as imported goods for personal use and no requirement of registration or filing of first imported goods shall apply ("**Pilot Program**"). Such Pilot Program shall be implemented in 37 cities. According to the Notice on Expanding the Scope of Pilot Program of Cross Border E-commerce Retailing Import《關於擴大跨境電商零售進口試點的通知》promulgated on 17 January 2020 and the Notice on Expanding the Scope of Pilot Program of Cross Border E-commerce Retailing Import and Strictly Implementing Supervision Requirements《關於擴大跨境電商零售進口試點、嚴格落實監管要求的通知》promulgated on 18 March 2021, by Ministry of Commerce and other relevant governmental authorities, such Pilot Program has been expanded to 50 cities and currently to all cities (and regions) where free trade pilot zones, cross-border e-commerce comprehensive pilot zones, comprehensive bonded zones, demonstration zones for the promotion of and innovation in import trade, and bonded logistics centers (type B) are located.

The Department of Duty Collection and Department of Processing Trade and Customs Bonded Operations of the GAC (海關總署關稅徵管司) promulgated the Notice on Duty-paid Prices of Imported Goods of Cross-border E-commerce《關於明確跨境電商進口商品完稅價格有關問題的通知》("**Circular 73**") on 6 July 2016 which took effect on the same day. Under Circular 73, the duty-paid prices of goods on sale are determined by the principle of actual trading price (including the retail prices, freights and insurance premiums).

The General Office of CFDA issued the Reply regarding the Supervision and Administration of Cross-border E-commerce Food Enterprises《關於食品跨境電子商務企業有關監管問題的覆函》("**Circular 630**") on 29 August 2016. According to Circular 630, cross-border e-commerce food enterprises that open up offline display or experience stores which do not actually sell food, the enterprises do not need to obtain the food operation permits. However, such display or experience stores shall set up a sign at their business premises, reminding consumers that food on the scene is not for sale. If such enterprises open up offline display or experience stores that actually sell food, they shall obtain the food operation permits in accordance with laws. The food sold shall comply with the laws and regulations on food safety and the standard of food safety.

The E-commerce Law《電子商務法》promulgated on 31 August 2019 and took effect on 1 January 2019 provides e-commerce business operators shall complete market entity registration formalities pursuant to the law, except for individuals selling self-produced agricultural products and home-made handicraft products, and individuals using their own skills to engage in convenient labor activities and sporadic small transactions for which licensing is not required by law, as well as e-commerce business operators who are not required to register pursuant to the laws and administrative regulations. E-commerce business operators shall perform tax payment obligations pursuant to the law and enjoy tax incentives pursuant to the law. E-commerce business operators who are not required to complete market entity registration formalities pursuant to the preceding Article shall, upon occurrence of tax payment obligation for the first time, complete tax registration formalities pursuant to the provisions of laws and administrative regulations on administration of tax levying and collection and declare and pay tax truthfully.

Regulation updates regarding cross-border e-commerce comprehensive pilot zones

Since 2015, a series of regulations and policies that aim at facilitating and promoting the development of cross-border e-commerce have been promulgated in the PRC. On 7 March 2015, the State Council issued the Reply on Approval of Setting up the China (Hangzhou) Cross-border E-commerce Comprehensive Pilot Zone《關於同意設立中國(杭州)跨境電子商務綜合試驗區的批覆》(Guo Han [2015] No. 44), pursuant to which the State Council encourages the innovative experiments of e-commerce transactions, payments, logistics, clearance, tax refunding, exchange settlement and etc., in the comprehensive pilot zone.

On 16 June 2015, the General Office of the State Counsel promulgated the Guidance on Promoting the Sound and Rapid Development of Cross-border E-commerce《關於促進跨境電子商務健康快速發展的指導意見》(Guo Ban Fa [2015] No. 46), which reiterated the promotion of sound and rapid development of cross-border e-commerce and provided guiding opinions from multiple perspectives.

On 12 January 2016, based on the experience of the China (Hangzhou) Cross-border Comprehensive Pilot Zone, the State Council promulgated the Reply on Approval of Setting up Cross-Border E-Commerce Comprehensive Pilot Zones in Tianjin and Other 11 Cities《關於同意在天津等12個城市設立跨境電子商務綜合試驗區的批覆》(Guo Han [2016] No. 17), establishing cross-border e-commerce comprehensive pilot zones in Tianjin, Shanghai, Guangzhou, Ningbo and other 8 cities. The provincial governments further devised the detailed implementation plans based on this document, so as to advance and support the development of the relevant comprehensive pilot zones.

On 7 August 2018, the State Council promulgated the Reply on Approval of Setting up Cross-Border E-Commerce Comprehensive Pilot Zones in Beijing and Other 21 Cities《關於同意在北京等22個城市設立跨境電子商務綜合試驗區的批覆》. Pursuant to such approval, based on the experience of development of the previous 13 cross-border e-commerce comprehensive pilot zones, the State Council decided to additionally open up cross-border e-commerce comprehensive pilot zones in Beijing, Wuhan, Xiamen and other 19 cities. The State Council also pointed that the procedures and approvals should be further simplified and reduced in terms of logistics, storage, clearance and etc., and the relevant policies around integration of clearance, information sharing and etc., should be improved.

On 15 December 2019, the State Council promulgated the Reply on Approval of Setting up Cross-Border E-Commerce Comprehensive Pilot Zones in Shijiazhuang and Other 23 Cities《關於同意在石家莊等24個城市設立跨境電子商務綜合試驗區的批覆》. Pursuant to such approval, the State Council decided to additionally open up cross-border e-commerce comprehensive pilot zones in Shijiazhuang, Taiyuan, Fuzhou and other 21 cities. The approval also states that relevant policies concerning value-added tax and consumption tax exemption shall be implemented on a trial basis for cross-border e-commerce retail exports.

On 27 April 2020, the State Council promulgated the Reply on Approval of Setting up Cross-Border E-Commerce Comprehensive Pilot Zones in Xiong'an New Area and Other 45 Cities and Areas《關於同意在雄安新區等46個城市和地區設立跨境電子商務綜合試驗區的批覆》. Pursuant to such approval, the State Council decided to additionally open up cross-border e-commerce comprehensive pilot zones in Xiong'an New Area, Xining, Datong and other 43 cities and areas.

On 22 January 2022, the State Council promulgated the Reply on Approval of Setting up Cross-Border E-Commerce Comprehensive Pilot Zones in Erdos and Other 27 Cities and Areas《關於同意在鄂爾多斯等27個城市和地區設立跨境電子商務綜合試驗區的批覆》. Pursuant to such approval, the State Council decided to additionally open up cross-border e-commerce comprehensive pilot zones in Erdos, Yangzhou, Zhenjiang and other 24 cities and areas.

On 14 November 2022, the State Council promulgated the Reply on Approval of Setting up Cross-Border E-Commerce Comprehensive Pilot Zones in Langfang and Other 33 Cities and Areas《關於同意在廊坊等33個城市和地區設立跨境電子商務綜合試驗區的批覆》. Pursuant to such approval, the State Council decided to additionally open up cross-border e-commerce comprehensive pilot zones in Langfang, Cangzhou, Yuncheng and other 30 cities and areas.

Since the series of policies abovementioned are of a general nature, how these policies will positively impact the Company will depend on the detailed implementation rules and relevant policies devised by the provincial governments where the pilot zones are located.

Importation and Exportation of Goods

In light of the Foreign Trade Law of the PRC《中華人民共和國對外貿易法》promulgated by the Standing Committee of the NPC on 12 May 1994, and latest amended on 30 December 2022 and took effect on the same day, the requirements for foreign trade operators engaging in goods or technology import and export to go through the record-filing registration have been abolished.

Pursuant to Regulations of the PRC on the Administration of the Import and Export of Goods《中華人民共和國貨物進出口管理條例》issued by the State Council of the PRC and became effective on 1 January 2002, amended on 10 March 2024 and came into effect on 1 May 2024, the State Council of the PRC shall allow free importation and exportation of goods, and maintain fair and orderly import and export trade in goods except for the goods which is explicitly prohibited or restricted by laws or administrative regulations.

The Provisions on the Recordation of Customs Declaration Entities of the People's Republic of China《中華人民共和國海關報關單位備案管理規定》("**Provisions on the Recordation of Customs**") was promulgated by the GAC on 19 November 2021 and took effect on 1 January 2022, and repealed the Administrative Provisions of the Customs of the PRC over Registration of Declaration Entities《中華人民共和國海關報關單位註冊登記管理規定》which was promulgated on 13 March 2014 and amended on 20 December 2017 and 29 May 2018. According to the Provisions on the Recordation of Customs, the consignee or consignor of imported or exported goods or a customs declaration enterprise needs only to apply for record-filing to the Customs, with no registration with the GAC necessary any longer. The record-filing information shall be made public via the Import and Export Credit Information Publicity Platform of the Customs of China (中國海關企業進出口信用信息公示平台).

Under the Customs Law of the PRC《中華人民共和國海關法》which was adopted by the Standing Committee of the NPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016, 4 November 2017 and 29 April 2021 respectively, the consignee of import goods shall go through the customs formalities with the customs at the place where the goods enter the territory of the PRC, while the consignor of export goods shall go through the customs formalities with the customs at the place where the goods depart from the territory of the PRC. If approved by relevant

customs, the consignee of import goods may go through the customs formalities for import goods at a designated place where a customs is established, and the consignor of export goods may go through the same at the departure place of the goods where a customs is established. Transportation of the goods under the foregoing customs transit shall comply with the control requirements of the customs.

Import of Personal Postal Articles

Pursuant to the Import and Export Tariff Regulations of the PRC《中華人民共和國進出口關税條例》, which was promulgated by the State Council on 23 November 2003 and subsequently amended on 8 January 2011, 7 December 2013 and 6 February 2016 and 1 March 2017 respectively, inbound personal postal articles for personal use (as opposed to the commercial nature of general trade) that do not exceed the amount specified by the GAC will be exempt from import tax, and those exceed the specified amount but still within a reasonable amount and are for personal use (as opposed to the commercial nature of general trade) will be subject to the import tax, which combines the customs duty, import VAT and consumption tax into one form of tax.

The Import and Export Tariff Regulations of the PRC were replaced by the PRC Tariff Law《中華人民共和國關税法》, which was promulgated by the Standing Committee of the NPC on 26 April 2024 and came into effect on 1 December 2024. It effectively preserves the previous tax regime for inbound goods. Pursuant to the PRC Tariff Law, customs duty, import VAT and consumption tax on inbound items for reasonable personal use shall be collected under a simplified procedure at a composite tax rate.

Supplementing to the PRC Tariff Law, the Measures for the Collection of Customs Duty, Value-added Tax and Consumption Tax on Imported Goods《進境物品關税、增值税、消費税徵收辦法》were promulgated by the Customs Tariff Committee of the State Council on 29 November 2024 and came into effect on 1 December 2024. Three composite tax rates were set for different categories of articles: 13% (applicable to items such as food and beverages, books, computers, and drugs), 20% (applicable to items such as sports equipment and textiles), and 50% (applicable to items such as cigarettes, alcohol, and cosmetics).

Cosmetics Consumption Tax

Pursuant to the Notice of on Adjusting Import Consumption Tax on Cosmetics《關於調整化妝品進口環節消費税的通知》, which was promulgated by the MOF and the SAT on 30 September 2016 and came into effect on 1 October 2016, the levying scope is adjusted to include the high-end beauty and polishing cosmetics and high-end skin care cosmetics. The rate of import consumption tax was reduced from 30% to 15%.

Environmental Protection

The Environmental Protection Law of the PRC《中華人民共和國環境保護法》(the "**Environmental Protection Law**"), which was promulgated by the Standing Committee of the NPC on 26 December 1989 and came into effect on the same date and was then amended on 24 April 2014, and came into effect on 1 January 2015, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards, and safeguard human health. The environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility that produces pollutants or other hazards to adopt environmental protection measures in its operations and establish an environmental protection responsibility system. Enterprises that are in violation of the Environmental Protection Law may be subject to a warning, payment of damages, imposition of a fine, or limitation or suspension of production depending on the seriousness of the case. If a criminal offense is committed, the offender may be subject to criminal penalties.

The PRC Law on Prevention and Control of Water Pollution《中華人民共和國水污染防治法》, which was promulgated by the Standing Committee of the NPC on 11 May 1984 with the latest amendments coming into effect on 1 January 2018, the PRC Law on Prevention and Control of Atmospheric Pollution《中華人民共和國大氣污染防治法》, which was promulgated by the Standing Committee of the NPC on 5 September 1987 with the latest amendment coming into effect on 26 October 2018, and the PRC Law on Prevention and Control of Environmental Noise Pollution《中華人民共和國環境噪聲污染防治法》, which was promulgated by the Standing Committee of the NPC on 29 October 1996 with the latest amendment coming into effect on 29 December 2018 and was replaced by the PRC Law on Prevention and Control of Noise Pollution《中華人民共和國噪聲污染防治法》on 5 June 2022, as well as the PRC Law on Prevention and Control of Environmental Pollution Caused by Solid Waste《中華人民共和國固體廢物污染環境防治法》, which was promulgated by the Standing Committee of the NPC on 30 October 1995 with the latest amendment coming into effect on 1 September 2020, prescribe procedures for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution. The PRC Law on Environment Impact Assessment《中華人民共和國環境影響評價法》, was promulgated by the Standing Committee of the NPC on 28 October 2002 with the latest amendment coming into effect on 29 December 2018; the Administrative Regulations on the Environmental Protection of Construction Projects《建設項目環境保護管理條例》, was promulgated by the State Council and came into effect on 29 November 1998 and amended on 16 July 2017, and came into effect on 1 October 2017; the Interim Measures for the Examination and Approval of Environmental Protection Facilities of Construction Projects《建設項目竣工環境保護驗收暫行辦法》, was promulgated by the Ministry of Environmental Protection of the PRC (中華人民共和國國家環境保護部) on 20 November 2017 and came into effect on the same date (Collectively, the "**Environment Protection Laws**"). Pursuant to the Environment Protection Laws, where effects may be exerted on the environment after the implementation of construction projects, the project owner shall submit an environmental impact report (form) or environmental impact registration form to the relevant environmental protection department. The project that is required to prepare the environmental impact report (form) in accordance with the law shall obtain the approval from the relevant environmental protection department for its environmental impact assessment documents; otherwise it shall not commence the construction. After the construction project is completed, the project owner shall apply for environmental protection acceptance of the construction project and prepare acceptance report pursuant to the standard and formality set by the environmental protection authority.

NDRC Approval Registration

On 5 January 2023, the NDRC issued the Administrative Measures for the Approval Registration of Mid- to Long-Term Foreign Debt of Enterprises《企業中長期外債審核登記管理辦法》(國家發展和改革委員會令第56號) ("**NDRC Order No. 56**"). NDRC Order No. 56 establishes the foreign debt approval registration system, which, with effect from 10 February 2023, has replaced the foreign debt filing registration system under The Circular on Promoting the Administrative Reform of the Recordation and Registration System for Enterprises' Issuance of Foreign Debts《關於推進企業發行外債備案登記制管理改革的通知》(發改外資[2015]2044號) ("**NDRC Circular**").

Under NDRC Order No. 56 "medium and long term foreign debt" (hereinafter referred to as "**foreign debt**") is defined as any offshore debt instrument incurred by onshore PRC enterprises or their controlled offshore subsidiaries or branches that is denominated in RMB or a foreign currency, with tenor of longer than one year. It is expressly indicated under NDRC Order No. 56 that debt instruments include but are not limited to senior bonds, perpetual bonds, capital bonds, medium-term notes, convertible bonds, exchangeable bonds, finance leases and commercial loans, etc.

NDRC Order No. 56 specifically regulates the indirect offshore borrowing by PRC enterprises, which covers offshore bond issue by an offshore enterprise not controlled by a PRC person where: (i) its principal business activities of the relevant enterprise(s) are carried out in the PRC; and (ii) the offshore bond issue by the offshore issuer is based on ownership equity, assets, revenue or other similar rights and

interests in or to PRC its underlying PRC enterprise(s). Such board definition could now capture "Red-chip" enterprises, offshore enterprises operating under VIE structures and specific Nei Bao Wai Dai (內保外貸) structured financing.

As a result of NDRC Order No. 56, issuance of the Notes which falls in the scope of foreign debt regulated by NDRC Order No. 56 requires:

- acquiring approval registration with the NDRC prior to the issuance of the Notes; and
- reporting to the NDRC on its official online platform within 10 PRC working days after the issuance of the Notes.

Further, there is also a notable increase in ongoing reporting requirements imposed on the Company under NDRC Order No. 56 to facilitate NDRC's effective mitigation of foreign debt risk, including:

- reporting to the approval and registration authority the post-utilization information 10 working days after the issuance of the Notes through online portal;
- reporting to the approval and registration authority the status of foreign debt 10 working days after expiry of the one-year term of the approval registration certificate;
- reporting to the approval and registration authority the status of use of foreign debt proceeds, repayment of principal and payment of interest and related plans, and key business performance indicators 5 working days prior to end of January and July of each year;
- reporting to the approval and registration authority the material circumstances which might affect the Company's due performance of debt obligations (including payment default risk (whether onshore or offshore) and any major restructuring) promptly.

In addition, if an enterprise violates measures under NDRC Order No. 56, such violations by the enterprise will be publicized on the website of Credit China (信用中國) and the National Enterprise Credit Information Publicity System (國家企業信用資訊公示系統).

Foreign Exchange Administration

The principal law governing foreign currency exchange in the PRC is the PRC Administrative Regulations on Foreign Exchange《中華人民共和國外匯管理條例》("**Foreign Exchange Regulations**"). The Foreign Exchange Regulations was enacted by the State Council on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 5 August 2008, the State Council amended the Foreign Exchange Regulations. According to the Foreign Exchange Regulations, the RMB is freely convertible for "current account transactions", which include, among other things, dividend payments, interest and royalties payments, trade and service-related foreign exchange transactions. For "capital account transactions" which principally include direct investments, loans, securities investments and repatriation of investments, prior approval of and registration with SAFE or its local branches is generally required.

Pursuant to the Administrative Regulation of Foreign Exchange Settlement, Sale and Payment《結匯、售匯及付匯管理規定》, which was promulgated on 20 June 1996 by the People's Bank of China (中國人民銀行) (the "**PBOC**") and came into effect on 1 July 1996, foreign-invested enterprises may buy, sell and/or remit foreign currencies at Foreign Exchange Swap Center (外匯調劑中心) or do so at banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account transactions, obtaining approval from SAFE or its local branches. Capital investments by foreign-invested enterprises, such as some of our PRC subsidiaries, Health and Happiness

(H&H) China Limited, Biostime (Guangzhou) Health Products Limited and Dodie Baby Products Inc. (Guangzhou) (formerly known as BM care Baby Products Inc. (Guangzhou) ("**Dodie Guangzhou**") outside of China are also subject to limitations, which include approvals by SAFE, the PBOC and other PRC governmental agencies.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》("**SAFE Circular 19**"), which came into effect on 1 June 2015 and was partially repealed on 30 December 2019 and on 23 March 2023. Under the SAFE Circular 19, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account, i.e., a bank account opened by a foreign-invested enterprise where the foreign shareholder(s) are required to remit and deposit the amount of respective capital contributions, for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). Meanwhile, the use of such Renminbi should still comply with the restrictions set in this circular in that it cannot be directly or indirectly used for making payments beyond the business scope of the enterprise or payments prohibited by national laws and regulations, investing in securities unless otherwise provided by laws and regulations, granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) repaying the bank loans in Renminbi that have been lent to a third party, and paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

On 9 June 2016, the SAFE promulgated the Notice on Reforming and Standardising the Administrative Provisions on Capital Account Foreign Exchange Settlement《關於改革和規範資本項目結匯管理政策的通知》("**SAFE Circular 16**") which took effect on the same day and was amended on 4 December 2023. According to the SAFE Circular 16, enterprises registered in China could settle the external debts in foreign currencies to Renminbi at their own discretion. The SAFE Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital and external debts), which is applicable to all enterprises registered in China. It reiterated that the Renminbi funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the company's scope of business, and shall not be used for domestic securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such Renminbi funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so; and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

On 26 January 2017, the SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control《進一步推進外匯管理改革完善真實合規性審核的通知》("**SAFE Circular 3**"), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks must check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities must hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to the SAFE Circular 3, domestic entities must make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On 23 October 2019, SAFE promulgated Circular on Further Facilitating Cross-border Trade and Investment,《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》("**Circular 28**"), which took effect on the same day and was amended on 4 December 2023. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, **provided that**

such investments do not violate the requirements on the Negative List and the target investment projects are genuine and in compliance with laws.

According to the Circular on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business promulgated by the SAFE on 10 April 2020《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》("**Circular 8**"), eligible enterprises are allowed to make domestic payments by using their funds received by way of capital contribution, foreign debts and overseas listing, with no need to provide the evidentiary materials concerning authenticity of such payment for banks in advance, **provided that** their capital use shall be authentic and compliant, and conform with the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct ex post spot check and the local branches of SAFE shall strengthen operational and post-operational oversight in accordance with the relevant requirements.

Dividend distribution

The principal laws governing dividend distributions by our PRC Subsidiaries include the PRC Company Law《中華人民共和國公司法》, which was promulgated on 29 December 1993, and came into effect on 1 July 1994, and was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023. According to the PRC Foreign Investment Law《中華人民共和國外商投資法》which was promulgated on 15 March 2019 and came into effect on 1 January 2020, dividend distribution by wholly foreign-owned enterprises ("**WFOE**") and Sino-foreign equity joint ventures ("**EJV**") are also governed by the PRC Company Law.

Under these laws and regulations, PRC companies, including WFOEs and EJVs, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC companies, including domestic companies, WFOEs and EJVs, are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital unless laws regarding foreign investment provide otherwise. These reserves are not distributable as cash dividends. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Circular 37

The Circular on Related Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and in Round-trip Investment via Special Purpose Companies《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》("**Circular 37**") was promulgated by the SAFE and came into effect on 4 July 2014. Subject to the Circular 37, PRC residents, individuals or institutions, are required to register with the bureau of foreign exchange administration before they invest in a special purpose vehicle (the "**SPV**") with legitimate assets or equity interests inside and outside the PRC. In addition, any PRC resident that is a shareholder of an offshore SPV is required to amend its SAFE registration in a timely manner after any major changes of the offshore SPV being made, such as any increase or decrease of capital, stock right assignment or exchange, or merger or division. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions being imposed on the subsequent foreign exchange activities of the relevant PRC residents, including the remitting back of dividends and profits. PRC residents who invest in an SPV with legitimate assets or equity interests inside and outside the PRC prior to the implementation of the Circular 37, but fail to conduct the foreign exchange registration of overseas investments, must submit an explanatory statement and state the reasons for doing so to SAFE. SAFE may allow complementary registration under the principles of legality and legitimacy. In the event of any violation of foreign exchange regulations by the PRC resident that applies for complementary registration, administrative penalties could be imposed in accordance with relevant laws.

According to the Circular 13, registrations under Circular 37 will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and that has opened the capital account information system at the foreign exchange regulatory authority in the place where it is located. Foreign exchange regulatory authorities will perform indirect regulation over the direct investment-related foreign exchange registration via the banks.

Circular 11

The Administrative Measures for Outbound Investment by Enterprises《企業境外投資管理辦法》("**Circular 11**") was promulgated by NDRC on 26 December 2017 and took effect from 1 March 2018. Pursuant to the Circular 11, investors shall go through verification and approval, record-filing and other procedures applicable to outbound investment projects, report relevant information, and cooperate with supervision and inspection as applicable with NDRC. Outbound investment projects refer to the investment activities whereby an enterprise in the PRC, directly or via overseas enterprises under its control, acquires ownership, controlling power, rights of operation and management and other relevant rights and interests overseas by making asset or equity investment, providing financing or guarantee, etc. In addition, the Circular 11 provides that for outbound investment projects conducted by onshore natural persons through overseas enterprises under its control, the Circular 11 shall be applicable with reference to it as well.

To be specific, sensitive outbound investment projects carried out by investors directly or via the overseas enterprises shall be subject to verification and approval by NDRC. For such projects, investors shall obtain the verification and approval document prior to implementation of the project. Non-sensitive projects directly carried out by investors shall be subject to record-filing. Similarly, investors shall obtain the notice of record-filing prior to implementation of the project. Without such verification and approval document or notice of record-filing, departments in charge of foreign exchange administration, customs and etc., shall not handle further relevant formalities for the project, and financial institutions shall not provide relevant settlement and financing services for the project, each according to applicable laws. And for non-sensitive outbound investment projects conducted via overseas enterprises where the amount of investment provided by Chinese investors reaches or exceeds USD300 million, the investors shall submit an information report via the network system prior to the implementation of the project.

For projects that have been verified and approved or record-filed, if any prescribed change is proposed to be made to the project, the relevant investor shall apply for alteration of verification and approval or record-filing before such change takes place. If any prescribed material adverse situation occurs with any outbound investment project, the investor shall report such situation through the network system in due course. Where any project that is subject to verification and approval or record-filing procedure is completed, the investor shall also report through the network system within the required timeframe. In addition, the NDRC and its provincial counterparts may in its sole discretion, issue inquiry letters on major matters about outbound investment projects to investors and the investors shall submit written reports within the deadlines set out in the inquiry letters as reply.

Foreign Direct Investment

On 15 March 2019, the NPC promulgated the Foreign Investment Law of the PRC《中華人民共和國外商投資法》, which became effective on 1 January 2020 and replaced the trio of laws regulating foreign investment in China, namely, the Sino-Foreign Equity Joint Venture Enterprise Law, the PRC Sino-Foreign Contractual Joint Ventures Law, and the PRC Wholly Foreign-owned Enterprise Law, together with their implementation rules and ancillary regulations. Pursuant to the Foreign Investment Law of the PRC ("foreign investments" refer to investment activities conducted by foreign investors directly or "indirectly" in the PRC, which include the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, properties or other similar rights and interests of enterprises

within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other manners as specified by laws, administrative regulations or as stipulated by the PRC State Council.

Since the Implementing Regulations of the Foreign Investment Law of the PRC《中華人民共和國外商投資法實施條例》promulgated on 26 December 2019 by the State Council became effective on 1 January 2020, the Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-owned Enterprises《中華人民共和國外資企業法實施細則》has been repealed simultaneously.

Pursuant to the Implementing Regulations of the Foreign Investment Law of the PRC, the foreign-invested enterprises, established according to the Law of the PRC on Wholly Foreign-owned Enterprises prior to the implementation of the Foreign Investment Law, may adjust their organization form, structure, etc., pursuant to the provisions of the PRC Company Law and other related laws, and complete change registration legally. Alternatively, they may choose to retain their current organization form, structure, etc., within five years after the implementation of the Foreign Investment Law.

According to 2019 PRC Foreign Investment Law and its implementation rules, China adopts a system of pre-entry national treatment *plus* negative list with respect to foreign investment administration. The negative list is proposed by the competent investment department of the PRC State Council in conjunction with the competent commerce department of the PRC State Council and other relevant departments, and reported to the PRC State Council for promulgation, or promulgated by the competent investment department or competent commerce department of the PRC State Council after being reported to the PRC State Council for approval. Currently, in the pilot free trade zones, the scope for implementing the special market entry regulatory measures as required by the State shall be subject to the provisions of the Special Management Measures for Market Entry of Foreign Investment in Pilot Free Trade Zones (Negative List) (2021 version)《自由貿易試驗區外商投資准入特別管理措施(負面清單)(2021年版)》announced by NDRC and MOFCOM on 27 December 2021 and became effective on 1 January 2022; outside the pilot free trade zones, the scope for implementing the special market entry regulatory measures as required by the State shall be subject to the provisions of the Special Management Measures for Market Entry of Foreign Investment (Negative List) (2024 version)《外商投資准入特別管理措施(負面清單)(2024年版)》announced by NDRC and MOFCOM on 6 September 2024 and became effective on 1 November 2024.

The Measures for the Reporting of Foreign Investment Information《外商投資信息報告辦法》(the "**Reporting Measures**"), was promulgated on 30 December 2019 by the Ministry of Commerce and SMAR, which took effect from 1 January 2020. The Reporting Measures provides that the foreign investors or foreign-invested enterprises shall report the investment information to competent commerce regulatory authority for the direct or indirect investment activities in the PRC. Such reporting procedure shall be conducted by uploading initial report, change report, cancelations report and annual report etc. through enterprise registration system and National Enterprise Credit Information Publicity System.

Employee Stock Option Plans

On 15 February 2012, SAFE issued the Circular on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》(the "**Share Option Rules**").

Under the Share Option Rules, PRC citizens or residents habitually residing in the PRC continuously for over one year, with a few exceptions, and who have been granted, restricted shares or share options by an overseas listed company according to its employee share option or share incentive plan, are required to appoint a qualified PRC agent, which could be a Chinese subsidiary of such overseas listed company, to register with SAFE or its local counterparts and complete certain other procedures related to the

shareholding plan, share option plan or other similar share incentive plans. Concurrent with registration with SAFE or its local counterparts, the qualified PRC agent is required to obtain an approval from SAFE for an annual allowance for the foreign exchanges in connection with shareholding or the exercise of a share option, and an approval for opening a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with share purchases or share option exercises, returned principals or profits upon sale of shares, dividends issued on the stock and any other income or expenditures approved by SAFE. Currently, foreign exchange income of the participating PRC residents received from the sale of share and dividends distributed by the overseas listed company are required to be fully remitted into such special domestic foreign currency account before distribution to such participants. In addition, the PRC agents are required to amend or deregister the registrations with SAFE or its local counterparts in case of any material change in, or termination of, the share incentive plans within the time periods provided by the Share Option Rules.

Property Law

The properties which we own and lease in the PRC are subject to the Civil Code of the PRC《中華人民共和國民法典》(the "**Civil Code**"), promulgated by the NPC on 28 May 2020 and coming into effect on 1 January 2021. Under the Civil Code, any creation, modification, transfer or termination of real estate property rights shall become effective upon registration with the relevant government authorities. All lawful properties of the state, collectives, and individuals are protected by law against embezzlement and encroachment. The Civil Code also contains specific provisions relating to contractual land operation rights, construction land use rights, residential land use rights, easement rights and various security rights.

Under the Urban Real Estate Law of the PRC《中華人民共和國城市房地產管理法》promulgated by the Standing Committee of the NPC on 5 July 1994 and coming into effect on 1 January 1995, amended on 30 August 2007 and on 27 August 2009, and further amended on 26 August 2019 and coming into effect on 1 January 2020, and the Measures for Administration of Leases of Commodity Properties《商品房屋租賃管理辦法》promulgated by the Ministry of Construction on 1 December 2010 and coming into effect on 1 February 2011, parties to a building lease should enter into a written lease contract and register the lease with the relevant real estate administration authority. Whenever a lease contract is signed, amended, extended or terminated, the parties are required to register the details with the relevant real estate administration authority.

The Land Administration Law of the PRC《中華人民共和國土地管理法》promulgated by the Standing Committee of the NPC on 25 June 1986 and coming into effect on 1 January 1987 and then amended on 29 December 1988, 29 August 1998, 28 August 2004 and 26 August 2019 with the latest amendment coming into effect on 1 January 2020, provides that a land use certificate of state-owned land must be obtained from the land administrative department prior to usage. Violation of the Land Administration Law may result in the imposition of fines and confiscation of the land involved.

Taxation

*Enterprise Income Tax ("**EIT**")*

On 16 March 2007, the Standing Committee of NPC promulgated the PRC EIT Law《中華人民共和國企業所得稅法》, which was and amended on 24 February 2017 and 29 December 2018. On 6 December 2007, the State Council enacted the EIT Rules, which was latest amended on 23 April 2019. Pursuant to the PRC EIT Law and the EIT Rules, a uniform enterprise income tax is being levied at the rate of 25% and a resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the PRC. An organization or establishment set up by a non-resident enterprise in the PRC is subject to enterprise income tax for the income derived in the PRC and the income derived from outside the PRC but with actual connection with such organization or establishment in the PRC. For a

non-resident enterprise which has not set up an organization or establishment in the PRC, or has set up an organization or establishment in the PRC but the income it derives has no actual connection with such organization or establishment, only its income derived from the PRC will be subject to enterprise income tax.

A non-resident enterprise without a permanent establishment in the PRC or a non-resident enterprise which has set up a permanent establishment in the PRC whose earning income is not connected with the abovementioned permanent establishment will only be subject to tax on its PRC-sourced income. The income for such enterprise will be taxed at the reduced rate of 10%.

Pursuant to the PRC EIT Law and the EIT Rules, income from equity investment between qualified resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt income. Moreover, pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》, which was issued by the SAT on 21 August 2006 and came into effect on 8 December 2006, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to PRC law; however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforementioned enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforementioned enterprise, the tax levied shall be 10% of the distributed dividends. Meanwhile, the Announcement of the State Administration of Taxation on Certain Issues Concerning the "Beneficial Owners" in the Tax Treaties《國家税務總局關於税收協定中「受益所有人」有關問題的公告》, promulgated by the SAT on 3 February 2018, and came into effective on 1 April 2018, has stipulated some factors that are unfavorable to the determination of "beneficial owner".

In addition, under the Circular of the SAT on Relevant Issues concerning the implementation of Dividend Clauses in Tax Treaties《國家税務總局關於執行税收協定股息條款有關問題的通知》, which was promulgated by the SAT on 20 February 2009, and came into effect on the same date, all of the following requirements should be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (i) such tax resident who obtains dividends should be a company as provided in the tax treaty; (ii) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; and (iii) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Value-added Tax

According to the Provisional Regulations on Value-added Tax promulgated《中華人民共和國增值税暫行條例》by the State Council on 13 December 1993 and amended on 1 November 2008, 6 February 2016, and 19 November 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax《中華人民共和國增值税暫行條例實施細則》promulgated by the MOF on 25 December 1993 and amended on 22 February 1995, 15 December 2008 and 28 October 2011 respectively, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods in the PRC must pay value-added tax.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner《關於全面推開營業稅改徵增值稅試點的通知》("**Circular 36**"), promulgated by the Ministry of Finance and SAT and took effect on 1 May 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of China are required to pay value-added tax instead of business tax.

Regulations on PRC enterprise income tax on indirect transfer of non-resident enterprises

On 3 February 2015, the SAT issued the Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》("**Circular 7**"). Circular 7 stipulates that when a non-resident enterprise transfers the assets (including equity interests) in an overseas holding company which directly or indirectly owns PRC taxable properties, including shares in a PRC company (or PRC Taxable Assets), for the purposes of avoiding PRC enterprise income taxes through an arrangement without reasonable commercial purpose, such indirect transfer should be reclassified and recognized to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the Enterprise Income Tax Law, unless the overall arrangements relating to an indirect transfer of PRC Taxable Assets fulfill one of the following conditions:

(i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling equity interests of a listed overseas company on a public market; and

(ii) where the non-resident enterprise had directly held and transferred such PRC Taxable Assets, the income from the transfer of such PRC Taxable Assets would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement.

Further according to the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises《關於非居民企業所得稅源泉扣繳有關問題的公告》("**Circular 37**") issued by SAT on 17 October 2017 and amended on 15 June 2018, the "income from property transfer" shall include the income from the transfer of equity interests and equity investment assets (hereinafter referred to as "**equities**"). The balance after deducting the net value of equities from the income from equity transfer is the taxable income from equity transfer. When calculating the income from equity transfer, an enterprise shall not deduct the amount that may be distributed from the shareholders' retained proceeds that are attributable to such equities, such as the undistributed profits of the invested enterprise. In addition, Circular 37 stipulates that if the party responsible for deducting such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties.

Labor protection

The Labor Contract Law of the People's Republic of China《中華人民共和國勞動合同法》(the "**Labor Contract Law**"), which was promulgated by the Standing Committee of the NPC on 29 June 2007 and became effective on 1 January 2008 and whose amendments made on 28 December 2012 and took effect on 1 July 2013, and the Implementing Regulations of the Labor Contract Law《中華人民共和國勞動合同法實施條例》promulgated by the State Council and took effect on 18 September 2008, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labor Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Under applicable PRC laws and regulations, including the Social Insurance Law of the PRC《中華人民共和國社會保險法》, which was promulgated by the Standing Committee of the NPC on 28 October 2010 and amended on 29 December 2018 and the Provisional Regulations for the collection and Payment of Social Insurance Premiums《社會保險費徵繳暫行條例》, which was promulgated by the State Council on 22 January 1999 and amended on 24 March 2019 and the Regulations on the Administration of Housing Accumulation Fund《住房公積金管理條例》, which was promulgated by the State Council on 3 April 1999, and amended on 24 March 2002 and 24 March 2019, employers (on behalf of their employees) and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, employment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

Regulations on intellectual properties

Trademarks

Registered trademarks are protected under the Trademark Law of the People's Republic of China《中華人民共和國商標法》adopted on 23 August 1982 (effective on 1 March 1983) and amended on 22 February 1993 (effective on 1 July 1993), 27 October 2001 (effective on 1 December 2001), 30 August 2013 (effective on 1 May 2014) and 23 April 2019 (effective on 1 November 2019), as well as the Implementation Regulation of the PRC Trademark Law《中華人民共和國商標法實施條例》promulgated by the State Council on 3 August 2002 and amended on 29 April 2014 (effective on 1 May 2014). The Trademark Office of the China National Intellectual Property Administration, or the Trademark Office, is responsible for the registration and administration of trademarks throughout China and grants a term of 10 years to registered trademarks. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark that has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark shall not prejudice the existing right of others obtained by priority, nor shall any person register in advance a trademark that has already been used by another person and has already gained "sufficient degree of reputation" through that person's use. After receiving an application, the Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. Within three months after such public announcement, any person may file an opposition against a trademark that has passed a preliminary examination. The Trademark Office's decisions on rejection, opposition or cancelation of an application may be appealed to the Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings.

If no opposition is filed within three months after the public announcement period or if the opposition has been overruled, the Trademark Office will approve the registration, issue a registration certificate and make an announcement, upon which the trademark is registered and will be effective for a renewable ten-year period, unless otherwise revoked. In the case of a trademark infringement, where the actual loss suffered by the right holder is as a result of the infringement and the profits earned by the infringing party from the violation of the trademark and the royalties of the registered trademark concerned are difficult to determine, the people's court will render a judgment on awarding damages of up to RMB5 million depending on the circumstances of the infringing acts.

Copyright

The Copyright Law of the People's Republic of China《中華人民共和國著作權法》was promulgated on 7 September 1990, and further amended on 11 November 2020 and took effect on 1 June 2021 by the Standing Committee of the NPC, and the Implementation Regulation of the Copyright Law of PRC《中華人民共和國著作權法實施條例》was promulgated on 2 August 2002, and further amended on 30 January 2013 and took effect on March 2013 by the State Council. These laws and regulations provide the Classification of Works and the obtaining and protection of copyright in China.

Patent

Patents in the PRC are mainly protected under the Patent Law of the People's Republic of China《中華人民共和國專利法》which was passed by the Standing Committee of the NPC on 12 March 1984 and amended on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020, and its Implementation Rules《中華人民共和國專利法實施細則》, which were promulgated by the State Council on 15 June 2001 and amended on 28 December 2002, 9 January 2010 and 20 January 2024. The Patent Law and its Implementation Rules provide for three types of patents, "invention", "utility model" and "design". "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the shape, pattern, or the combination of these two or the combination of color and shape, pattern, of a product, which creates an esthetic feeling and is suitable for industrial application. The duration of a patent right for "invention" is 20 years, and the duration of a patent right for "utility model" is 10 years, and the duration of a patent right for a "design" is 15 years, from the date of application. The Chinese patent system adopts a "first-to-file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

On 29 November 2016, the State Intellectual Property Office issued the Opinion regarding Strengthening Patent Protection《關於嚴格專利保護的若干意見》, which provides for advancing patent protection in new industries and areas including Internet, e-commerce and big data, and reinforcement of patent protection in areas concerning people's livelihood like food and drugs, environmental protection and safety in production.

Australia

Therapeutic Goods Administration

In Australia, Swisse is regulated under the *Therapeutic Goods Act 1989* (Cth), the Therapeutic Goods (Therapeutic Goods Advertising Code) Instrument 2021 and subordinate legislation under that Act and Code (the "**TG Act**"). The Therapeutic Goods Administration ("**TGA**") is Australia's regulatory agency for therapeutic goods, including "complementary medicines" such as vitamins and nutritional supplements.

Key elements to the TGA's regulation of the industry in which Swisse operates include:

- manufacturing;
- supply and product registration;
- advertising; and

- importation and exportation.

Manufacturing

Swisse only contracts with manufacturers who satisfy rigorous TGA standards to ensure the highest quality products for our consumers. Our manufacturers are required to have their production processes and facilities approved and validated by the TGA in accordance with Good Manufacturing Practice ("**GMP**") requirements and hold a TGA license, which means that the products produced are manufactured to pharmaceutical grade standards and are compliant with the TG Act. Our overseas manufacturers also must be assessed by the TGA to ensure they are meeting appropriate, equivalent GMP standards.

Swisse holds a TGA license for its packing facility in Melbourne, Australia, which packs select lines of Swisse branded products. In addition, Swisse purchases raw materials from contract manufacturers in Australia and globally.

Supply and registration for supply

Therapeutic goods, including complementary medicines, must generally be registered or listed on the Australian Register of Therapeutic Goods ("**ARTG**") before they can be imported into, supplied in or exported from Australia (unless specifically exempted).

All products sold by Swisse that are required to be registered or listed under the TG Act are registered or listed on the ARTG.

Australia has a two-tiered system for the regulation of medicines, such that medicines are either "registered" or "listed" on the ARTG. Medicines that are high risk are "registered" on the ARTG, whereas low risk medicines, containing ingredients evaluated by the TGA as low risk, are "listed" on the ARTG. Generally "listed" medicines cannot refer to treating or preventing a serious disease, condition, ailment or defect listed in the TG Act without TGA approval.

Most complementary medicines are included on the ARTG as "listed" medicines and accordingly have a lower cost and streamlined application and validation process for inclusion on the ARTG.

In applying for listing on the ARTG, the sponsor (the person who applies for and holds the ARTG registration) must certify that the medicine meets certain regulatory requirements, including that the sponsor holds evidence to support indications and claims made in relation to complementary medicines.

If a complementary medicine does not qualify for "listing" on the ARTG, it must be "registered" on the ARTG. In this case, the application for registering on the ARTG must be supported by a dossier of relevant safety, quality and efficacy data which is then evaluated by the TGA prior to registration.

Labeling

There are regulations under the TG Act and under state and territory legislation in relation to the labeling of therapeutic goods.

Advertising

Advertising of therapeutic goods is regulated by the TG Act, certain industry Codes of Conduct and other legislation. Subject to this regulation, advertising non-prescription medicines to consumers is generally permitted, but prior approval is required for advertisements to consumers that contain restricted

representations. This approval may be delegated to industry associations or can be the subject of a more general approval by the Secretary or Minister to use a restricted representation for a particular class of goods in particular circumstances.

A restricted representation is any reference (whether expressly or by implication) to a serious form of disease, condition, ailment or defect which is medically accepted to be not appropriate to be diagnosed, treated or supervised without a suitably qualified health professional (subject to limited exemptions), or where there is a diagnostic (including screening), preventative, monitoring, susceptibility or pre-disposition test available for the form (including a self-administered test) which requires medical interpretation or follow up.

The process involved with using a restricted representation in advertising (including labels) involves a relevant decision maker (usually the industry peak body, the Complementary Healthcare Council or in some cases, the TGA) requiring the advertiser (i.e. Swisse) to hold supporting information to justify the claims made by it in its advertisements and ensuring that evidence exists to support these claims, as well as ensuring the advertisement promotes the quality use of medicines.

Advertisements also cannot make "prohibited representations" except where the TGA Secretary has provided written permission for the use of specified prohibited representations and can be required to include "required representations" and/or "mandatory statements".

Therapeutic goods product issues

Notices under section 31 of the TG Act

Under section 31 of the TG Act, the TGA Secretary may, by notice in writing, require a person, in relation to whom therapeutic goods have been, are or will be registered, to provide a broad range of information regarding, among other things, the formulation, quality, safety and efficacy and presentation of goods, and their method and place of manufacture ("**Section 31 Notice**").

Swisse receives Section 31 Notices from the TGA from time to time and it maintains an incidents register which records details of the notices received, and any adverse events investigated by the TGA.

The TGA conducts compliance reviews on selected listed medicines, including:

- reviews of randomly selected listed medicines; and
- targeted reviews for listed medicines on the ARTG with suspected or potential non-compliance issues, according to a risk-based approach.

If non-compliance is found, depending on the level of risk, regulatory actions that are available to the TGA may range from guidance and ongoing monitoring, suspension or cancelation from the ARTG, through to product recalls and criminal prosecution in cases of deliberate non-compliance.

Adverse reactions

Swisse is required, as a condition of listing on the ARTG, to report certain information, including reports of serious adverse reactions to its products that are communicated to it, to the TGA Secretary. Swisse has a robust Pharmacovigilance system in place to ensure their obligations are met in relation to these requirements.

Regulation of food products and businesses

Australia New Zealand Food Standards Code

One of the key regulatory documents is the Australia New Zealand Food Standards Code ("**Code**"). The Code is developed and administered by Food Standards Australia New Zealand.

Other than where expressly exempted, the Code applies to food products:

- sold or prepared for sale in Australia or New Zealand; and
- imported into Australia or New Zealand.

The Code is a collection of individual food standards ("**Standards**"). Each of the individual Standards making up the Code are a Commonwealth legislative instrument which is enforced by each state and territory under state and territory legislation.

The Code groups the Standards into four chapters:

- *general food standards* — covering issues such as labeling, substances added to food, contaminants and residues, foods requiring pre-market clearance, microbiological and processing requirements and health claims in relation to food;
- *food product standards* — specific standards relating to particular food types (e.g. cereals, dairy products and "special purpose foods", which include formulated supplementary foods and sports food);
- *food safety standards* (*for Australia only*) — including matters such as requirements for food safety programs, food safety practices and requirements for food premises and equipment; and
- primary production standards (for Australia only).

Food legislation

The Code must be considered in conjunction with state and territory food legislation. The specific registration and other regulatory requirements for a food business will depend on the specific nature of the business and the jurisdiction in which it operates.

State and territory food legislation regulates matters such as food handling, handling and selling unsafe or unsuitable food, false description of food, misleading conduct relating to the sale of food, the registration of food businesses/premises, inspection of premises, food safety and record keeping, as well as other items. These requirements are also set out in the Australian Consumer Law (Schedule 2 of the *Competition and Consumer Act 2010* (Cth)) and apply to all consumer goods, including foods.

Skincare regulation overview

Overview

Swisse has a number of skincare products which are regulated as "cosmetics" in Australia. Cosmetics are regulated as industrial chemicals under the Industrial Chemicals Act 2019 (Cth) ("**IC Act**"). Cosmetics are products intended for external use on the human body for, among other things, cleansing it, maintaining it in good condition and protecting it, but excluding therapeutic goods.

The IC Act gives force to the Australian Industrial Chemicals Introduction Scheme ("**AICIS**"), which is administered by the Australian Government Department of Health. The focus of AICIS is on worker safety, users of the products and public health and impact on the environment from use and disposal.

Key elements of AICIS relevant to Swisse's cosmetic products include:

(i) business registration;

(ii) the definition of "relevant industrial chemical"; and

(iii) audit, inspections and investigations.

AICIS business registration

All importers and manufacturers of cosmetics (unless "naturally occurring") are required to register their business on the AICIS Business Services. The registration year is 1 September to 31 August and a yearly registration fee and a charge for the value of the chemical imported or manufactured applies.

Failure to register is an offense. Enforcement under the IC Act includes injunctions restraining the importation or manufacture of cosmetic products, as well as monetary penalties.

There are certain notification requirements (for example, notice to be given to AICIS within 7 days) if a registered company ceases to exist or forms a new company as a result of a merger.

Exemption for "naturally occurring" chemicals

The registration requirement does not apply for importers/manufacturers of only "naturally-occurring chemicals" which are defined as:

(i) an unprocessed chemical occurring in a natural environment; or

(ii) a chemical occurring in a natural environment, being a substance that is extracted by:

- manual, mechanical or gravitational means;
- dissolution in water;
- flotation; or
- a process of heating for the sole purpose of removing uncombined water, without chemical change in the substance.

If the chemical is naturally occurring, but is extracted by other means, e.g., steam distillation, solvent extraction, or it has undergone further processing, the chemical won't be exempted from the business registration requirement.

Assessments of chemicals

The Australian Inventory of Industrial Chemicals ("**AIIC**") lists the chemicals available for industrial use in Australia. There are approximately 40,000 currently listed. If a chemical is included in the AIIC, under the IC Act it may be imported into or manufactured in Australia, without obtaining an assessment certificate or permit (subject to any conditions set out in the AIIC).

If the chemical is not on the AIIC and not exempted, the chemical must be assessed by AICIS before it can be imported into or manufactured in Australia.

AICIS may also review chemicals already used in Australia (and listed on AIIC) on a priority basis where there are specific concerns about potential health or environmental effects.

Audit, inspections and investigations

AICIS may:

(i) review manufacturers' and distributors' operations, obtain information, review records, test chemicals;

(ii) require registrants to justify the basis for determining the total value of industrial chemicals imported and/or manufactured for the purpose of registration fees and charges; and

(iii) give warnings, seize goods and prosecute offenses.

Labeling

Cosmetics must have full ingredient disclosure in accordance with the Consumer Goods (Cosmetics) Information Standard 2020, which is administered by Product Safety Australia, under the Australian Competition and Consumer Commission ("**ACCC**"). This regulation prescribes the mandatory standard for ingredients labeling on cosmetics, and sets out the standards, the responsibilities of suppliers and retailers, and the ACCC's enforcement role. Consistent with cosmetic products not being therapeutic goods, the products should not be presented as preventing, diagnosing, curing or alleviating a disease, ailment, defect or injury in people.

Other laws and regulations

For our adult nutrition and care products, we mainly operate in China and Australia, with minor sales activity in New Zealand. Sales of our adult care and nutrition products are also made in Hong Kong, Singapore, the United Kingdom, the Netherlands and Italy. See "*Business*". Our relevant operating subsidiaries were established in Australia and are therefore mainly subject to the laws and regulation of Australia. See "— *Australia*". As we mainly conduct our business in China and Australia for our adult nutrition and care products, and only import relevant products produced and manufactured primarily in Australia, Italy and Germany into China and Australia, we believe that we are not subject to any material laws of such jurisdictions or any other laws of other jurisdictions in our capacity as an importer other than Hong Kong, Singapore, the United Kingdom, the Netherlands and Italy.

For our baby nutrition and care products, including infant formula, pediatric probiotic and nutritional supplements and nutrition supplements and baby care products, we mainly operate in China, and our business activities outside China are limited to the sourcing of raw materials and products from foreign countries, mainly from France, Denmark and the United States. See "*Business*". Our relevant operating subsidiaries were established in the PRC and are therefore mainly subject to the laws and regulations of the PRC. See "— *The People's Republic of China*". As we mainly conduct our business in the PRC for our baby nutrition and care products, and only import relevant goods, products and raw materials produced and manufactured in France, Denmark and the United States into the PRC, we believe that we are not subject to any material French, Danish, United States laws or any other material laws of other jurisdiction in our capacity as an importer. In addition, SARL Biostime, a company established under the laws of France, does not conduct any business in France. As such, apart from basic French commercial codes and relevant corporate regulations, it is not subject to material French laws or regulation given its current lack of business activity in France.

Based on our directors' actual and best knowledge derived from our raw material and product suppliers selection process, each of our raw material and product suppliers has obtained all necessary regulatory permits and licenses required for the production of the goods and products that were exported to us and has complied with the applicable relevant domestic laws and regulation in all material aspects. Our supply agreements generally require that our suppliers comply with local legal requirements in their jurisdiction in relation to the products or ingredients we source from them.

MANAGEMENT

Our Directors

The following table sets forth certain information with respect to our directors as of the date of this offering memorandum.

Name	Age	Title
Mr. Luo Fei (羅飛)	60	Executive Director and Chairman
Mr. Wang Yidong (王亦東)	50	Executive Director and Chief Financial and Operation Officer
Mrs. Laetitia Marie Edmee Jehanne Albertini* (安玉婷)	44	Non-executive Director
Dr. Zhang Wenhui (張文會)	59	Non-executive Director
Mr. Luo Yun (羅雲)	63	Non-executive Director
Mrs. Mingshu Zhao Wiggins	40	Non-executive Director
Mr. Tan Wee Seng (陳偉成)	68	Independent non-executive Director
Mrs. Lok Lau Yin Ching (駱劉燕清)	69	Independent non-executive Director
Professor Ding Yuan (丁遠)	55	Independent non-executive Director

* *commonly known as Laetitia Albertini*

Our board currently consists of nine members, consisting of two executive Directors, four non-executive Directors and three independent non-executive Directors. The Board has also established four Board committees, namely, the nomination committee (the "**Nomination Committee**"), the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the environmental, social and governance committee (the "**ESG Committee**"). Mr. Luo Fei was appointed as an executive director of our Company on 30 April 2010. Mr. Wang Yidong was appointed as an executive director of our Company on 26 March 2018. Mrs. Laetitia Albertini was appointed as a non-executive director of our Company on 1 January 2023. Dr. Zhang Wenhui was appointed as a non-executive director of our Company on 25 June 2012. Mr. Luo Yun was appointed as a non-executive director of our Company on 12 May 2010. Mrs. Mingshu Zhao Wiggins was appointed as a non-executive Director on 1 January 2024. Mr. Tan Wee Seng was appointed as an independent non-executive director of our Company on 12 July 2010. Mrs. Lok Lau Yin Ching was appointed as an independent non-executive director of our Company on 24 March 2020. Professor Ding Yuan was appointed as an independent non-executive director of our Company on 1 January 2023.

Executive Directors

Mr. Luo Fei (羅飛), aged 60, is the chairman and an executive Director of the Company. Mr. Luo was formerly the Chief Executive Officer of the Company until 18 March 2019. Mr. Luo was appointed as an executive Director on 30 April 2010 and chairman of the Company's Nomination Committee. Mr. Luo is also a director of a variety of subsidiaries of the Company. The major subsidiaries are Health and Happiness (H&H) China Limited (健合(中國)有限公司) ("**Health and Happiness China**", formerly known as BiosTime, Inc. (Guangzhou) (廣州市合生元生物製品有限公司) ("**Biostime Guangzhou**")), Biostime (Guangzhou) Health Products Limited (合生元(廣州)健康產品有限公司) ("**Biostime Health**"), Health and Happiness (H&H) Hong Kong Limited ("**Health and Happiness Hong Kong**", formerly known as Biostime Hong Kong Limited), Swisse Wellness Group Pty Ltd ("**Swisse**"), Health and Happiness France Holding ("**Health and Happiness France**"), Health and Happiness (H&H) Italy S.R.L ("**Health and Happiness Italy**"), Solid Gold Pet, LLC ("**Solid Gold**") and Zesty Paws. Mr. Luo is also a director of the Company's substantial shareholder Coliving Holdings Limited ("**Coliving Holdings**") with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**"). Mr. Luo leads the Board and supervises the Group's strategy, risk management and corporate governance. Mr. Luo has over 20 years of experience in the biotechnology industry. From June 1989 to October 1990,

Mr. Luo was employed by Kanghai Enterprise Development Company of Guangzhou Economic and Technological Development Zone (廣州經濟技術開發區康海企業發展公司) as an assistant engineer. In February 1993, Mr. Luo established Guangzhou Baixing Bioengineering Co., Ltd. (廣州百星生物工程有限公司) and acted as its legal representative and general manager. In December 1994, Mr. Luo established Guangzhou Biohope Co., Ltd. (廣州市百好博有限公司) ("**Guangzhou Biohope**"), a company engaged in the import and distribution of raw materials for personal care products and household cleaning products, and acted as Guangzhou Biohope's legal representative from December 1994 to June 2010, and has been a director of Guangzhou Biohope since December 1994. In August 1999, Mr. Luo established BiosTime, Inc. (Guangzhou) and had served as its general manager until 18 March 2019. Mr. Luo is the chairman of the management committee of the Biostime China Foundation for Mothers and Children. Mr. Luo received a bachelor's degree in microbiological engineering in July 1985 and a master's degree in industrial fermentation in June 1988 from South China University of Technology (華南理工大學), formerly known as South China Institute of Technology (華南工學院). Mr. Luo has also completed the China Europe International Business School (中歐國際工商學院) EMBA program and was awarded a master's degree in business administration in September 2008.

Mr. Wang Yidong (王亦東), aged 50, is an executive Director of the Company. Mr. Wang was appointed as an executive Director on 26 March 2018. He joined the Group in May 2016. Mr. Wang is the Chief Financial and Operation Officer of the Group and the member of the CEO office of the Group. He is in charge of the overall financial management, investor relationship, supply chain, sourcing and IT activities of the Group. He is also a director of a variety of subsidiaries of the Company. The major subsidiaries are Health and Happiness China, Biostime Health, Health and Happiness Hong Kong, Swisse, Solid Gold and Zesty Paws. Mr. Wang has over 20 years of experience in financial management, accounting and corporate finance. Prior to joining the Group, Mr. Wang was the Corporate Vice President and Asia Pacific Chief Financial Officer of Henkel AG & Co. KGaA, a German consumer goods giant ("**Henkel**"), responsible for Henkel's financial management, business and operation controlling as well as M&A-related tasks in 14 countries of Asia Pacific. Before that, he worked at Henkel's headquarters in Germany as Global Director of Business Development and M&A for Adhesive business unit, and also worked as Henkel's Greater China Chief Financial Officer and Asia Pacific Treasurer in preceding years. Mr. Wang had also taken various management and banking roles with LG.Philips, JPMorgan and China's Ministry of Commerce (中國商務部) in Hong Kong, New York and Beijing. Mr. Wang holds a Master of Business Administration degree from New York University Stern School of Business and a Bachelor of Arts degree from China Foreign Affairs University (中國外交學院). He completed Global Strategy Management Program at Harvard Business School. He is a member of the American Institute of Certified Public Accountants (the "**AICPA**") and a fellow member of the Association of Chartered Certified Accountants (the "**ACCA**"). He is also a member of ACCA China Expert Forum.

Non-executive Directors

Mrs. Laetitia Albertini (安玉婷), aged 44, is a non-executive Director of the Company. She was re-designated to a non-executive Director on 1 January 2023, and previously she was an executive Director of the Company from 26 March 2018 to 31 December 2022. Mrs. Albertini was formerly the Chief Executive Officer of the Company from 19 March 2019 to 31 December 2022. She joined the Group in July 2010. She was the General Manager of Group strategy and international business department of the Group. From June 2018 to March 2019, Mrs. Laetitia Albertini also assumed the role of Managing Director of Swisse China. She was also a director of a variety of subsidiaries of the Company. The major subsidiaries are Health and Happiness China, Biostime Health, Health and Happiness Hong Kong, Swisse, Health and Happiness France, Health and Happiness Italy, Solid Gold and Zesty Paws. From December 2003 to August 2010, she worked for the French Trade Commission in South China and was mainly responsible for providing lobbying and support to French companies partnering, exporting and investing in China, especially in the field of consumer goods and health sectors. Prior to that, she also interned with the United States Senate in Washington D.C. from January to June 2001, the Banque Populaire Group in Paris from July to September 2001 and the LVMH Group in Paris from September

2002 to March 2003. In July 2003, she obtained a master's degree in business administration and corporate strategy from Institute of Political Studies in Paris.

Dr. Zhang Wenhui (張文會), aged 59, is a non-executive Director of the Company. Dr. Zhang was re-designated to a non-executive Director on 25 June 2012. Dr. Zhang was previously an executive Director of the Company from 12 May 2010 to 24 June 2012. Dr. Zhang is also a director of the Company's substantial shareholder Coliving Holdings with disclosable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. Dr. Zhang has over 20 years of experience in the biotechnology industry, through teaching in universities and working for several biotechnology companies. Dr. Zhang was a lecturer of bioengineering at South China University of Technology (華南理工大學) from August 1994 to August 1996. From December 2000 to August 2003, Dr. Zhang was employed as an assistant research professor in the Department of Chemical Engineering at the University of Nebraska-Lincoln in the United States. After that, Dr. Zhang was employed as a scientist in the process development department of Xoma (US) LLC in the United States from September 2003 to September 2005. Dr. Zhang joined the Group in October 2005 as the chief technology officer of Health and Happiness China and became a general manager of the technology center of Biostime Health in December 2010, where he was primarily responsible for the R&D, product quality control and technology support, and held this position until 24 June 2012. Dr. Zhang was also the chief technology officer and head of the Quality Assurance Department of the Company until 24 June 2012 and a director of the Company's subsidiaries Health and Happiness China, Biostime Health and Dodie Baby Products Inc. (Guangzhou) (廣州杜迪嬰幼兒護理用品有限公司) ("**Dodie Guangzhou**", formerly known as BMcare Baby Products Inc. (Guangzhou) (廣州葆艾嬰幼兒護理用品有限公司)) until 2 September 2012. Dr. Zhang received a bachelor's degree in biochemical engineering from East China University of Science and Technology (華東理工大學), formerly known as East China College of Chemical Engineering (華東化工學院), in July 1985, and a master's degree in industry fermentation and a doctorate in fermentation engineering from South China University of Technology (華南理工大學) in July 1988 and September 1994, respectively. In September 1997, Dr. Zhang completed an international post graduate university course in microbiology at Osaka University. Dr. Zhang conducted research as a post-doctoral scientist in the department of food science and technology in the University of Nebraska-Lincoln in the United States from October 1997 to November 2000. He also received a master's degree in Business Administration from University of Chicago in March 2017.

Mr. Luo Yun (羅雲), aged 63, is a non-executive Director of the Company. Mr. Luo was appointed as a non-executive Director on 12 May 2010. Mr. Luo is also a director of the Company's substantial shareholder, Coliving Holdings, with disclosable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. From 1980 to 1993, Mr. Luo was employed by Haikou Qiongshan Medical Co., Ltd. (海口瓊山醫藥公司). Mr. Luo was employed as a sales manager for Guangzhou Biohope from December 1994 to August 1999. From August 1999 to September 2009, Mr. Luo held various positions in Health and Happiness China including the sales director and the director in charge of the Mama100 membership center. From September 2009 to December 2011, Mr. Luo was the general manager and director of a company formerly known as Biostime Health and Nutrition (Guangzhou) Limited (廣州合生元營養保健品有限公司, now known as Leseil Health and Nutrition (Guangzhou) Limited (廣州樂賽營養保健品有限公司)), where he was responsible for the overall strategies and business development. Since August 2016, Mr. Luo is a director and a general manager of Guangzhou Elite Education & Technology Co., Ltd. (廣州英荔教育科技有限公司). Mr. Luo graduated from the Continuing Education School of Jinan University (暨南大學成人教育學院) in July 1987 with a certificate of graduation in business and economic management. Mr. Luo has also completed the EMBA course at Fudan University (復旦大學) in Shanghai and was awarded an EMBA degree in July 2012. Mr. Luo is the elder brother of Mr. Luo Fei, the Chairman of the Board and one of the Company's executive Directors.

Mrs. Mingshu Zhao Wiggins, aged 40, is a non-executive Director of the Company. Mrs. Zhao was appointed as a non-executive Director on 1 January 2024. She is the Co-Founder and Chairwoman of PROVEN Group, an artificial intelligence and digital technology-enabled personalized cosmetics company she founded in 2017. The Group invested in PROVEN Group, Inc. as a minority shareholder holding initially approximately 13% of its issued shares in 2019. Mrs. Zhao is interested in approximately 16.54% of the issued shares of PROVEN Group, Inc., which is an associated corporation of the Company under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) by virtue of the Group's ownership of approximately 23.51% in its issued shares. Prior to this, she served as Head of Partnerships of new markets in NerdWallet, Inc. (Nasdaq: NRDS) from 2014 to 2016, as an Investor in Pacific Alternative Asset Management Company from 2011 to 2013, as a Private Equity Investor in Bain Capital from 2008 to 2010 and as a Management Consultant in The Boston Consulting Group from 2006 to 2008. Mrs. Zhao graduated with a master's degree in business administration from Harvard Business School in 2012 and a bachelor's degree from Emory University in 2006.

Independent Non-executive Directors

Mr. Tan Wee Seng (陳偉成), aged 68, is an independent non-executive Director of the Company. Mr. Tan was appointed as an independent non-executive Director on 12 July 2010 and is chairman of the Company's Remuneration Committee. Mr. Tan is also a non-executive director, a chairman of the sustainability committee, a member of the nomination committee and a member of the audit committee of Xtep International Holdings Limited (特步國際控股有限公司) (Stock Code: 1368), an independent non-executive director, a chairman of the audit committee and a chairman of the nomination committee of Sa Sa International Holdings Limited (莎莎國際控股有限公司) (Stock Code: 178), an independent non-executive director, a chairman of the audit committee and a member of the remuneration committee of CIFI Holdings (Group) Company Limited (旭輝控股(集團)有限公司) (Stock Code: 884), an independent non-executive director, a chairman of the audit committee, a chairman of remuneration committee and a member of the nomination committee of Shineroad International Holdings Limited (欣融國際控股有限公司) (Stock Code: 1587), the shares of all of which are listed on the Main Board of the SEHK. Mr. Tan is also a board member of Beijing City International School (北京樂成國際學校), an academic institution in Beijing. Mr. Tan has been appointed as an independent non-executive director and a chairman of the audit committee of Sinopharm Group Company Limited (國藥控股股份有限公司) (Stock Code: 1099) from September 2014 to September 2020 listed on the Main Board of Stock Exchange, an independent director, a chairman of the audit committee, a member of nominating and corporate governance committee and a member of the Environmental, Social and Governance committee of Renesola Ltd (Stock Code: SOL), the shares of which are listed on the New York Stock Exchange ("**NYSE**") from April 2009 to January 2023, an independent director and a chairman of the audit committee of 7 Days Group Holdings Limited, listed on the NYSE, between November 2009 and July 2013, until it was privatized. He was the chairman of the special committee for the privatization of 7 Days Group Holdings Limited from October 2012 to July 2013. Mr. Tan has over 30 years of financial management, corporate finance, merger and acquisition, business management and strategy development experience. Mr. Tan has held various management and senior management positions in a number of multi-national corporations. Mr. Tan was previously the managing director of AFE Computer Services Limited, a Reuters subsidiary located in Hong Kong which was mainly engaged in domestic equity and financial information services; a director of Infocast Pty Limited, a Reuters subsidiary in Australia; and the regional finance manager of Reuters East Asia. From 1999 to 2002, Mr. Tan was the senior vice president of Reuters for the China, Mongolia and North Korea regions, and the chief representative of Reuters in China. From 2003 to 2008, Mr. Tan was an executive director, chief financial officer and company secretary of Li Ning Company Limited (李寧有限公司), the shares of which are listed on the Main Board of the SEHK (Stock Code: 2331). Mr. Tan is a professional accountant and a fellow member of the Chartered Institute of Management Accountants in the United Kingdom, and a fellow member of the Hong Kong Institute of Directors.

Mrs. Lok Lau Yin Ching (駱劉燕清), aged 69, is an independent non-executive Director of the Company. Mrs. Lok was appointed as an independent non-executive Director on 24 March 2020. Mrs. Lok is a strategic Human Resources leader with over 30 years of experience in driving people and business transformation. Mrs. Lok worked for MetLife Asia Limited as the SVP, Regional Head of Human Resources from 2012 to 2019. She partnered with global human resources leaders of MetLife in formulating global human resources strategies and built a world-class Asia human resources function with a composite of both international and local talents for developing and driving the implementation of business strategies. From 2005 to 2012, she worked for HSBC Insurance (Asia) Limited as the Asia Regional Head of Human Resources. She built and drove human resources strategies to grow the insurance business in Asia within the HSBC Group. Prior to joining HSBC Insurance (Asia) Limited, Mrs. Lok was the Regional Head of Human Resources of AXA Asia from 2000 to 2005. In addition, Mrs. Lok has been active in voluntary services including being the Treasurer with the 10th Tai Po Scout Group for over 20 years. Mrs. Lok holds a Bachelor of Arts degree (Economics & Sociology) from the University of Leeds in the United Kingdom. She is certified in the Woman Directorship program of the University of Hong Kong. She is also a certified Master Neuro-Linguistic Programming Practitioner, a certified Executive Coach as well as a certified Emotional Intelligence Coach & Practitioner.

Professor Ding Yuan (丁遠), aged 55, is an independent non-executive Director of the Company. Professor Ding was appointed as an independent non-executive Director on 1 January 2023 and is chairman of the Company's Audit Committee. Professor Ding has been an independent non-executive director, the chairman of the audit committee, a member of the nomination committee and a member of the strategy committee of JS Global Lifestyle Company Limited (JS環球生活有限公司), a company listed on the Main Board of the SEHK (stock code: 1691) since August 2022. He has been an independent non-executive director, the chairman of the remuneration committee, and a member of each of the nomination committee and the audit committee of Man Wah Holdings Limited (敏華控股有限公司), a company listed on the Main Board of the SEHK (stock code: 1999) since December 2016. He has been an independent non-executive director, the chairman of the audit committee, and the chairman of the risk and compliance committee of Bluestar Adisseo Company (藍星安迪蘇股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600299) since August 2018 and a non-executive director of Saurer Intelligent Technology Co. Ltd (卓郎智能技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600545), since May 2018 and was a member of the audit committee of which from May 2018 to September 2021. Since January 2021, Professor Ding has also served as an independent non-executive director of Shanghai Large & Kunchi Group Inc. (上海路捷鯤馳集團股份有限公司), a private consumer goods company. Professor Ding was an independent non-executive director and the chairman of audit committee of Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司) (stock code: 1528) from March 2012 to November 2018 and was an independent non-executive director, the chairman of the audit committee, and a member of each of the remuneration committee and the nomination committee of Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (stock code: 106) from July 2013 to May 2019, respectively, both of which are listed on the Main Board of the SEHK. He was an independent non-executive director of Jaccar Holdings, a private investment company, from July 2011 to August 2021. Professor Ding was an independent director and the chairman of the audit committee of Anhui Gujing Distillery Co., Ltd. (安徽古井貢酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000596), from June 2008 to June 2011 and at TCL Corporation (TCL集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000100), from June 2008 to June 2014. From July 2011 to June 2015, he was an independent non-executive director and the chairman of the audit committee of MagIndustries Corp., a company listed on the Toronto Stock Exchange (stock code: MAA). Professor Ding has more than twenty years of experience in teaching and researching financial accounting, financial statement analysis, corporate governance and mergers and acquisitions. He graduated with a doctor of philosophy degree in management science from the College of Business Administration, Bordeaux IV University in France in May 2000. He also obtained a master's degree in enterprises administration from the University of Poitiers, France in June 1995. Professor Ding served as a tenured professor in accounting and management control at the HEC School of Management in Paris, France from September 1999 to

September 2006. He joined China Europe International Business School (中歐國際工商學院) in September 2006 and served as the vice president and dean from May 2015 to March 2023.

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

The following table sets forth certain information with respect to our senior management as of the date of this offering memorandum:

Name	Age	Title
Mr. Wang Yidong (王亦東)	50	Executive Director and Chief Financial and Operation Officer
Mr. Nicholas Russell Lamande Mann	50	Rotating Chief Executive Officer and Chief Executive Officer for Asia, Australia and New Zealand
Mr. Akash Bedi	40	Chief Executive Officer for North America and Europe
Mr. Zhang Qizhang (張琦章)	39	Chief People Officer
Ms. Li Fengting (李鳳婷)	39	Chief Executive Officer for China
Mrs. Pascale Laborde	44	Chief Sustainability Officer, Director of Global Marketing and Communications
Mr. Christian Sim	51	Chief Supply Chain Officer
Ms. Yang Wenyun (楊文筠)	40	Senior Director of Listing Affairs and Risk Management Department, Company Secretary

Mr. Wang Yidong (王亦東), see "— *Executive Directors*".

Mr. Nicholas Russell Lamande Mann, aged 50, is the rotating Chief Executive Officer of the Company He has also been the Chief Executive Officer for Asia, Australia and New Zealand since March 2022. He joined the Group in September 2017 as the Sales Director for Australia and New Zealand and was promoted to Managing Director for Australia and New Zealand in September 2019. Over a 27-year span prior to joining the Group, Mr. Mann gained a great deal of experience working in a variety of senior sales, marketing, and general management roles across CPG, Technology and Beverage Alcohol categories for firms such as Gillette, Motorola, Foster's Group and Treasury Wine Estates. Mr. Mann obtained a Bachelor of Science Degree from The University of Melbourne in 1995.

Mr. Akash Bedi, aged 40, has been the Chief Executive Officer for Europe, North America, Middle East and India since November 2023. Mr. Bedi is also one of the three rotating Group CEOs. He was the Chief Executive Officer from December 2023 to September 2024, the acting Chief Executive Officer from October 2022 to August 2023 and the Chief Strategy and Operation Officer of the Company from December 2019 to September 2022. He joined the Group in July 2018 as Senior Director of Strategy and Corporate Affairs. In the last 4 years, he has been successfully leading and managing the Swisse business for India and Middle East market. Also, he led the integration of our pet nutrition brands including Solid Gold and Zesty Paws. Prior to joining the Company, Akash held the position of Director, Global Consumer & Retail at HSBC for over 10 years since May 2008 where he worked on highly complex mergers and acquisitions transactions from its global offices in New York, London and Hong Kong. Akash obtained a Bachelor's degree in Engineering (Mechanical) from Manipal Institute of Technology, India in 2005 and an MBA degree from the Cardiff Business School in the UK in 2006.

Mr. Zhang Qizhang (張琦章), aged 39, has been the Chief People Officer of the Company since July 2020. He joined the Group in June 2014. Mr. Zhang was the Director of the Integrated Marketing Center of the Group from April 2015 to December 2017 then was appointed as the Group General Manager of new business development and assumed additional responsibility as Chief People Officer from January 2018 to June 2020. He was also the General Manager of the United Kingdom from July 2020 to February 2022. Before that, he was the Marketing Director of Biostime and assumed additional responsibility as Director of the Corporate Innovation Marketing Center. He started his career at Procter & Gamble ("**P&G**") in China from graduation as a brand manager at the marketing department until May 2014. Mr. Zhang obtained his bachelor's degree in public management in Renmin University of China (中國人民大學) in June 2007.

Ms. Li Fengting (李鳳婷), aged 39, has been the Chief Executive Officer for China since August 2020. Ms. Li is also one of the three rotating Group CEOs. Ms. Li joined the Group in May 2018 as ANC China sales and marketing general manager. She manages all operations of ANC and BNC in China and is responsible for most functions in China, including quality & regulation, supply chain and public relationship. Ms. Li has over 10 years of experience in fast-moving consumer goods ("**FMCG**") sales, marketing and omni-channel management. Prior to joining the Group, she worked for P&G in China and Singapore from July 2008 to April 2018, where she led the global brand Downy Unstoppable launch into global multi regions and Tampax launch into China. Ms. Li graduated from Zhejiang University (浙江大學) in 2008 and obtained the bachelor's degree in industrial design.

Mrs. Pascale Laborde, aged 44, has been the Chief Growth and Sustainability Officer since January 2024. She is also Director of Global Marketing and Communications since November 2021. She joined the Group in March 2019. She is responsible for leading the marketing, communications and sustainability strategy for H&H globally across our ANC, BNC and PNC business segments. Prior to joining the Group, she worked at KFC France part of Group Yum. From 2014 to 2019, first as Head of Sales, Media and Advertising, then Marketing Innovation Director and Chief Marketing Officer. From 2004 to 2014, she also worked at Unilever France, in a number of Marketing and Sales roles managing strategic accounts. She graduated from Hautes Études Commerciales (HEC) and obtained a master's degree in marketing in 2003.

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

Ms. Yang Wenyun (楊文筠), aged 40, has been the Senior Director of the Listing Affairs and Risk Management Department since March 2019. She joined the Group in August 2005 and was appointed as one of the joint company secretaries of the Company since 12 July 2010 to 25 June 2019. From 25 June 2019, Ms. Yang has acted as the sole company secretary of the Company. She is mainly in charge of overall listed corporation affairs, risk management, internal audit and legal affairs of the Group. She is also the supervisor of a variety of subsidiaries of the Company. Ms. Yang started her professional career with the Group and has obtained substantial experience through corporate governance, risk management, administration, legal affairs, information security management, internal audit, public relations and human resources management over the past nineteen years with the Group. Ms. Yang is an associate member of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of

Chartered Secretaries") and The Chartered Governance Institute. She also holds the Chartered Governance Professional. Ms. Yang obtained a bachelor's degree in law from Sun Yat-Sen University* (中山大學) in June 2005. She successfully completed the Business Sustainability Management Program presented by the University of Cambridge Institute for Sustainability Leadership in December 2023.

Board Committees

Audit Committee

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

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

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

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

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

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

- To review the arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

Remuneration Committee

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

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code, and amended with effect from 30 December 2022. The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management's remuneration, and remuneration packages of the individual executive Directors and the senior management. The

Remuneration Committee is also responsible for establishing a formal and transparent procedure for developing such remuneration policy and structure to ensure that no Director or any of his/her associates (as defined in the Listing Rules) will be involved in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

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

Nomination Committee

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

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

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

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

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

Environmental, Social and Governance Committee

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

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

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

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

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

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

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

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

PRINCIPAL SHAREHOLDERS

The Company is an exempted company with limited liability in the Cayman Islands and is listed on the SEHK. The Company is controlled by Coliving Holdings Limited (formerly Biostime Pharmaceuticals (China) Limited) which owns 432,000,000 shares of the Company representing 66.92% of the total number of shares in the Company as of 30 June 2024.

The following table and related footnotes represent and detail the holdings of our principal shareholders as of 30 June 2023:

Name of shareholder	Number of ordinary shares	Capacity/Nature of interest	Percentage of issued share capital[(2)]
Coliving Holdings Limited[(1)]	432,000,000	Beneficial owner	66.92%
Flying Company Limited[(1)]	432,000,000	Interest in a controlled corporation	66.92%
Coliving Limited[(1)]	432,000,000	Interest in a controlled corporation	66.92%
UBS Trustees (BVI) Limited[(1)]	432,000,000	Trustee	66.92%
Templeton Asset Management Ltd	32,474,620	Investment manager	5.03%
HSBC Holdings plc	247,302,043	Trustee	38.31%
	18,750	Interest in a controlled corporation	0.003%
	4,464,500	Custodian	0.69%

(1) As of 30 June 2024, Coliving Holdings Limited was owned as to 57.25% by Coliving Limited, and therefore, Coliving Holdings Limited was deemed to be controlled by Coliving Limited.

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

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

(2) As of 30 June 2024, the total number of the issued shares of the Company was 645,561,354.

Except as disclosed herein, none of the directors know of any person (not being a director or chief executive of the Company) who has an interest or short position in the shares or underlying shares of the Company as representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company.

RELATED PARTY TRANSACTIONS

We enter into transactions with our principal shareholders and other entities owned by, or affiliated with, our principal shareholders in the ordinary course of business. The following discussion is a brief summary of certain material arrangements, agreements and transactions we have with related parties. For further information on our principal shareholders, see "Principal Shareholders".

The following table summarizes our related party transactions for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
Purchases of finished goods from an associate	108,686	2,636	–	–	–

Purchases of finished goods from an associate

Purchases of finished goods from an associate related to our purchases from Hangzhou Coamie Personal Care Products Co., Ltd. ("**Coamie**") of baby diapers. Coamie operates the manufacturing facility where these baby diapers are produced and the manufacturing facility itself was established by a joint venture between Hangzhou Coco Healthcare Products and H&H on 10 January 2014. These transactions were conducted in accordance with mutually agreed terms.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following description is a summary of certain financing arrangements, including the rights and obligations of the holders of the Notes and our other creditors.

Intercreditor Arrangements and Other Creditors

On 9 August 2018, the Company, Biostime Healthy Australia Investment Pty Ltd, the companies and other intragroup creditors and obligors under our indebtedness entered into an intercreditor agreement with, among others, the Common Security Agent as agent for the Common Transaction Security (as amended from time to time, including on 13 September 2018 and as most recently amended on 26 June 2023) (the "**Intercreditor Agreement**"). On the Issue Date, the Trustee of the Notes will accede to the Intercreditor Agreement. In this description, capitalized terms have the meanings given to them in the Intercreditor Agreement unless the contrary is otherwise stated or the context otherwise requires.

By accepting a Note, the holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of the Intercreditor Agreement which governs the relationship (including the rights and obligations) as between, among others, the lenders under the Senior Facilities and the noteholders under the Notes. The following description is a key summary of certain provisions in the Intercreditor Agreement that relate to the rights and obligations of the holders of the Notes and our other creditors. This description does not restate the Intercreditor Agreement in its entirety, nor does it describe provisions relating to the rights and obligations of holders of all classes of our debt. As such, you are urged to read the Intercreditor Agreement in their entirety because it is those agreements, and not this description, which defines certain rights of the holders of the Notes in relation to our other creditors as well as the Company and the Subsidiary Guarantors. In this description, capitalized terms have the meanings given to them in the Intercreditor Agreement unless the contrary is otherwise stated or the context otherwise requires.

Intercreditor Agreement

Ranking and Priority

Introduction

The Notes will be "***Pari Passu Debt Liabilities***" as defined in the Intercreditor Agreement. As such, the Notes will be senior liabilities of the Company and the Subsidiary Guarantees of the Notes will be liabilities of the Subsidiary Guarantors. The *Pari Passu* Debt Liabilities are secured on a first-ranking basis by customary debentures/security agreements over all or substantially all assets of the Company and each initial Subsidiary Guarantor (in each case other than assets located in the PRC and Capital Stock of subsidiaries in the PRC that will not secure the Notes) as well as share security over the Capital Stock of each initial Subsidiary Guarantor, Health and Happiness (H&H) China Limited and Biostime (Guangzhou) Health Products Limited. The *Pari Passu* Debt Liabilities constitute the liabilities of the Company and its subsidiaries to the lenders under the Syndicated Facilities Agreements, the Noteholders, the Trustee, the 2026 Notes Noteholders, the trustee in respect of the 2026 Notes and the Security Agent, among others (collectively, "***Pari Passu Debt Creditors***" and, together with certain hedging counterparties "***Pari Passu Creditors***").

Primary Creditor Debt Liabilities

Each Party to the Intercreditor Agreement agrees that the Liabilities owed by the Debtors to the Primary Creditors, namely the *Pari Passu* Creditors, the Second Lien Creditors and the Senior Subordinated Creditors shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking Liabilities as follows:

(a) *first*, the *Pari Passu* Hedging Liabilities and the *Pari Passu* Debt Liabilities and the Senior Subordinated Debt Liabilities (which are Borrowing Liabilities, including the liabilities of the Company) *pari passu* and without any preference between them (save to the extent as otherwise agreed between the *Pari Passu* Creditors and the Senior Subordinated Creditors);

(b) *second*, the Second Lien Hedging Liabilities and the Second Lien Debt Liabilities *pari passu* and without any preference between them (save to the extent as otherwise agreed between Second Lien Creditors); and

(c) *third*, the Senior Subordinated Hedging Liabilities and the Senior Subordinated Debt Liabilities (which are not Borrowing Liabilities, including the Subsidiary Guarantees) *pari passu* and without any preference between them (save to the extent as otherwise agreed between Senior Subordinated Creditors).

Transaction Security

Each of the Parties agrees that:

(1) the Priority Creditor Only Transaction Security shall rank and secure the following Liabilities (but only to the extent that the Priority Creditor Only Transaction Security is expressed to secure those Liabilities) in the following order:

    (A) *first*, the *Pari Passu* Hedging Liabilities and the *Pari Passu* Debt Liabilities *pari passu* and without any preference between them (save to the extent as otherwise agreed between the *Pari Passu* Creditors); and

    (B) *second*, the Second Lien Hedging Liabilities and the Second Lien Debt Liabilities (subject to the terms of this Agreement) *pari passu* and without any preference between them (save to the extent as otherwise agreed between the Second Lien Creditors); and

(2) the Common Transaction Security shall rank and secure the following Liabilities (but only to the extent that such Common Transaction Security is expressed to secure those Liabilities) in the following order:

    (A) *first*, the *Pari Passu* Hedging Liabilities and the *Pari Passu* Debt Liabilities *pari passu* and without any preference between them (save to the extent as otherwise agreed between the *Pari Passu* Creditors);

    (B) *second*, the Second Lien Hedging Liabilities and the Second Lien Debt Liabilities *pari passu* and without any preference between them (save to the extent as otherwise agreed between the Second Lien Creditors); and

    (C) *third*, the Senior Subordinated Hedging Liabilities and Senior Subordinated Debt Liabilities *pari passu* and without any preference between them (save to the extent as otherwise agreed between the Senior Subordinated Creditors).

Turnover of Receipts

Turnover by Creditors

Subject to certain provisions of the Intercreditor Agreement, if at any time prior to the Final Discharge Date, any Creditor receives or recovers from any Security Grantor, Debtor or Group Member:

(a) any Payment or distribution of, or on account of or in relation to, any of the Liabilities which is neither:

  (i) a Permitted Payment; nor

  (ii) made in accordance with the section below titled "*Application of proceeds*";

(b) other than where the provisions described under the section above titled "*set-off*" applies (or would have applied but for paragraph (b) of that section), any amount by way of set-off in respect of any of the Liabilities owed to it which does not give effect to a Permitted Payment;

(c) notwithstanding paragraphs (a) and (b) above, and other than the provisions described under the section above titled "set-off" (or would have applied but for paragraph (b) of the section above titled "*set-off*"), any amount:

  (i) on account of, or in relation to any of the Liabilities:

    (A) after the occurrence of a Distress Event; or

    (B) as a result of any other litigation or proceedings against a Group Member, a Debtor or a Security Grantor (other than after the occurrence of an Insolvency Event in respect of that Group Member, Security Grantor or Debtor); or

  (ii) by way of set-off in respect of any of the Liabilities owed to it after the occurrence of a Distress Event,

  other than, in each case, any amount received or recovered in accordance with the section below titled "— *Application of proceeds*" or that constitutes or gives effect to a Permitted Unsecured Payment;

(d) any Enforcement Proceeds except where received or recovered in accordance with the section below titled "*Application of proceeds*"; or

(e) other than where the provisions described under the section above titled "*set-off*" applies (or would have applied but for paragraph (b) of the section above titled "*Turnover by Creditors*"), any distribution in cash or in kind or Payment of, or on account of or in relation to, any of the Liabilities owed by a Group Member or a Debtor which is not in accordance with the section below titled "*Application of Proceeds*" (other than a Payment that constitutes or gives effect to a Permitted Unsecured Payment) and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that Group Member or that Debtor,

  that Creditor will:

  (i) in relation to receipts and recoveries not received or recovered by way of set-off:

    (A) hold an amount of that receipt or recovery equal to the Relevant Liabilities (or, if less, the amount received or recovered) on trust for the Common Security Agent and

promptly pay or distribute that amount to the Common Security Agent for application in accordance with the terms of the Intercreditor Agreement (although this is not intended to create a Security); and

(B) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the Relevant Liabilities to the Common Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Common Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement of Transaction Security

Enforcement instructions: Priority Creditor Only Transaction Security and Common Transaction Security and blocking of Unsecured Creditor rights

(a) The Common Security Agent may refrain from enforcing the Priority Creditor Only Transaction Security or the Common Transaction Security or taking any other action as to Enforcement unless instructed otherwise by:

(i) the Instructing Group which means (a) prior to the *Pari Passu* Discharge Date, the Majority *Pari Passu* Creditors, (b) on and after the *Pari Passu* Discharge Date but before the Priority Discharge Date, the Majority Second Lien Creditors, and (c) on and after the Priority Discharge Date but before the Senior Subordinated Discharge Date, the Majority Senior Subordinated Creditors;

(ii) if required under paragraph (c) below, the Creditor Representative(s) for the Second Lien Creditors (acting on the instructions of the Majority Second Lien Creditors); or

(iii) if required under paragraph (d) below, the Creditor Representative(s) for the Senior Subordinated Creditors (acting on the instructions of the Majority Senior Subordinated Creditors).

See "*Risk Factors — Risks relating to the Notes, the Subsidiary Guarantees and the Collateral — Under the terms of the Intercreditor Agreement, holders of the Notes may not control certain decisions regarding the Collateral that secures the Notes*".

(b) Subject to the Transaction Security having become enforceable in accordance with its terms:

(i) the Instructing Group may give or refrain from giving instructions to the Common Security Agent to take action as to Enforcement;

(ii) if required under paragraph (c) below, the Creditor Representative(s) for the Second Lien Creditors (acting on the instructions of the Majority Second Lien Creditors) may give or refrain from giving instructions to the Common Security Agent to enforce the Common Transaction Security; or

(iii) if required under paragraph (d) below, the Creditor Representative(s) for the Senior Subordinated Creditors (acting on the instructions of the Majority Senior Subordinated Creditors) may give or refrain from giving instructions to the Common Security Agent to enforce or refrain from enforcing the Common Transaction Security as they see fit.

(c) Prior to the *Pari Passu* Discharge Date:

(i) if the Instructing Group has instructed the Common Security Agent to cease or not to proceed with Enforcement; or

(ii) in the absence of instructions as to Enforcement from the Instructing Group,

the Common Security Agent shall give effect to any instructions to enforce the Common Transaction Security which the Creditor Representative(s) for the Second Lien Creditors (acting on the instructions of the Majority Second Lien *Creditors*) are then entitled to give to the Common Security Agent under the section entitled "*Permitted enforcement: Second Lien Debt Creditors*" under the Intercreditor Agreement.

(d) Prior to the Priority Discharge Date:

(i) if the Instructing Group has instructed the Common Security Agent to cease or not to proceed with Enforcement; or

(ii) in the absence of instructions as to Enforcement from the Instructing Group,

the Common Security Agent shall give effect to any instructions to enforce the Common Transaction Security which the Creditor Representative(s) for the Senior Subordinated Creditors (acting on the instructions of the Majority Senior Subordinated Creditors) are then entitled to give to the Common Security Agent under the section titled "*Permitted enforcement: Senior Subordinated Creditors*" under the Intercreditor Agreement.

(e) Notwithstanding the preceding paragraphs (b), (c) and (d) above, if at any time the Creditor Representative(s) for the Second Lien Creditors or Senior Subordinated Creditors are then entitled to give the Common Security Agent instructions as to enforcement of the Common Transaction Security pursuant to the preceding paragraph (b), (c) or (d) above and the relevant Creditor Representative(s) have not given such instruction (or those instructions are to cease or not to proceed with Enforcement), then the Instructing Group may give instructions to the Common Security Agent as to Enforcement in lieu of any instructions to enforce given by the Creditor Representative for the Second Lien Creditors under the section titled "*Permitted enforcement: Second Lien Debt Creditors*" under the Intercreditor Agreement or Senior Subordinated Creditors under the section entitled "*Permitted enforcement: Senior Subordinated Creditors*" under the Intercreditor Agreement and the Common Security Agent shall act on the first such instructions received.

(f) If the Transaction Security has become enforceable in accordance with its terms, the Instructing Group is then entitled to give instructions to take Enforcement Action in accordance with this paragraph or may instruct the Common Security Agent to:

(i) deliver an Unsecured Payment Stop Notice, as contemplated by the section entitled "*Issue of Unsecured Payment Stop Notice*" under the Intercreditor Agreement; and

(ii) give notice to the Unsecured Creditors (which may be through their respective Creditor Representatives) and the Debtors notifying each of them that the Unsecured Creditors may not take Enforcement Action with respect to the Unsecured Liabilities.

No independent powers of enforcement

No Secured Party shall have any independent power to enforce, or to have recourse to, any Transaction Security or to exercise any rights or powers arising under the Transaction Security Documents except through the Common Security Agent. See "*Risk Factors — Risks relating to the Notes, the Subsidiary Guarantees and the Collateral — Under the terms of the Intercreditor Agreement, holders of the Notes may not control certain decisions regarding the Collateral that secures the Notes*".

Manner of enforcement: Priority Creditor Only Transaction Security and Common Transaction Security

If the Priority Creditor Only Transaction Security or the Common Transaction Security is being enforced or other action as to Enforcement is being taken pursuant to the section above titled "*Enforcement instructions: Priority Creditor Only Transaction Security and Common Transaction Security and blocking of Unsecured Creditor rights*", the Common Security Agent shall, to the extent permitted by applicable laws and regulations, enforce the Priority Creditor Only Transaction Security and/or Common Transaction Security (as applicable) or take other action as to Enforcement in such manner (including the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Common Security Agent) as:

(a) the Instructing Group shall instruct; or

(b) if, prior to the *Pari Passu* Discharge Date:

  (i) the Common Security Agent has, pursuant to paragraph (c) of the section entitled "*Enforcement instructions: Priority Creditor Only Transaction Security and Common Transaction Security and blocking of Unsecured Creditor rights*" above, received instructions given by the Majority Second Lien Creditors to enforce the Common Transaction Security; and

  (ii) the Instructing Group (or any other group of Priority Creditors) pursuant to paragraph (e) of the section entitled "*Enforcement instructions: Priority Creditor Only Transaction Security and Common Transaction Security and blocking of Unsecured Creditor rights*" above has not given instructions as to Enforcement,

  the Majority Second Lien Creditors shall instruct, or, in the absence of any such instructions, as the Common Security Agent considers in its discretion to be appropriate; or

(c) if, prior to the Priority Discharge Date:

  (i) the Common Security Agent has, pursuant to paragraph (d) of the section entitled "*Enforcement Instructions: Priority Creditor Only Transaction Security and Common Transaction Security and blocking of Unsecured Creditor rights*" above has not given instructions as to Enforcement of the Intercreditor Agreement, received instructions given by the Majority Senior Subordinated Creditors to enforce the Common Transaction Security; and

  (ii) the Instructing Group (or any other group of Priority Creditors) pursuant to paragraph (e) of the section entitled "*Enforcement instructions: Priority Creditor Only Transaction Security and Common Transaction Security and blocking of Unsecured Creditor rights*" above has not given instructions as to Enforcement,

  the Majority Senior Subordinated Creditors shall instruct, or, in the absence of any such instructions, as the Common Security Agent sees fit.

Application of proceeds

Order of application: Common Recoveries

Subject to certain provisions of the Intercreditor Agreement, all amounts from time to time received or recovered by the Common Security Agent (in its capacity as such) pursuant to the terms of any Debt Document (excluding any Unsecured Creditor Document and any amount received or recovered in connection with the realization or enforcement of the Bondco Independent Transaction Security or Independent Senior Subordinated Transaction Security) or in connection with the realization (including any Distressed Disposal) or enforcement of all or any part of the Priority Creditor Only Transaction Security and/or the Common Transaction Security and all Enforcement Proceeds (including any attributable any Distressed Disposal) (for the purposes of the section titled "*Common Recoveries*" shall be held by the Common Security Agent on trust to apply them at any time as the Common Security Agent (in its discretion) sees fit), to the extent permitted by applicable law (and subject to the provisions of this section), in the following order of priority:

(a) in discharging any sums owing to the Common Security Agent (other than pursuant to the section titled "*Parallel Debt (Covenant to pay the Common Security Agent)*"), any Receiver or any Delegate and in payment to the Creditor Representatives (other than the Creditor Representative of any group of Unsecured Creditors) of the relevant Creditor Representative Amounts;

(b) in discharging all costs and expenses incurred by any Primary Creditor in connection with any realization or enforcement of any Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Common Security Agent under the section titled "*Further assurance — Insolvency Event*";

(c) in payment or distribution to:

    (i) each Creditor Representative in respect of any *Pari Passu* Debt Creditors on its own behalf and on behalf of the *Pari Passu* Debt Creditors for which it is the Creditor Representative; and

    (ii) those Hedge Counterparties owed *Pari Passu* Hedging Liabilities, for application towards the discharge of:

        (A) the *Pari Passu* Debt Liabilities (in accordance with the terms of the relevant *Pari Passu* Debt Documents) on a *pro rata* basis between *Pari Passu* Debt Liabilities incurred under or in connection with separate *Pari Passu* Facility Agreements;

        (B) the *Pari Passu* Debt Liabilities (in accordance with the terms of the relevant *Pari Passu* Debt Documents) on a *pro rata* basis between *Pari Passu* Debt Liabilities incurred under or in connection with separate *Pari Passu* Notes Indentures; and

        (C) the *Pari Passu* Hedging Liabilities on a *pro rata* basis between such *Pari Passu* Hedging Liabilities of each such Hedge Counterparty,

    on a *pro rata* basis between paragraph (A), paragraph (B) and paragraph (C) above;

(d) in payment or distribution to:

    (i) each Creditor Representative in respect of any Second Lien Debt Creditors on its own behalf and on behalf of the Second Lien Debt Creditors for which it is the Creditor Representative; and

(ii) those Hedge Counterparties owed Second Lien Hedging Liabilities, for application towards the discharge of:

(A) the Second Lien Debt Liabilities (in accordance with the terms of the relevant Second Lien Debt Documents) on a *pro rata* basis between Second Lien Debt Liabilities incurred under or in connection with separate Second Lien Facility Agreements;

(B) the Second Lien Debt Liabilities (in accordance with the terms of the relevant Second Lien Debt Documents) on a *pro rata* basis between Second Lien Debt Liabilities incurred under or in connection with separate Second Lien Notes Indentures; and

(C) the Second Lien Hedging Liabilities on a *pro rata* basis between such Second Lien Hedging Liabilities of each such Hedge Counterparty,

on a *pro rata* basis between paragraph (A), paragraph (B) and paragraph (C) above;

(e) (save for any amounts received or recovered by the Common Security Agent in connection with the realization or enforcement of the Priority Creditor Only Transaction Security and related Enforcement Proceeds) in payment or distribution to:

(i) each Creditor Representative in respect of any Senior Subordinated Creditors on its own behalf and on behalf of Senior Subordinated Debt Creditors for which it is the Creditor Representative; and

(ii) those Hedge Counterparties owed Senior Subordinated Hedging Liabilities, for application towards the discharge of:

(A) the Senior Subordinated Debt Liabilities (in accordance with the terms of the relevant Senior Subordinated Debt Documents) on a *pro rata* basis between Senior Subordinated Debt Liabilities incurred under or in connection with separate Senior Subordinated Facility Agreements;

(B) the Senior Subordinated Debt Liabilities (in accordance with the terms of the relevant Senior Subordinated Debt Documents) on a *pro rata* basis between Senior Subordinated Debt Liabilities incurred under or in connection with separate Senior Subordinated Notes Indentures; and

(C) the Senior Subordinated Hedging Liabilities on a *pro rata* basis between such Senior Subordinated Hedging Liabilities of each such Hedge Counterparty,

on a *pro rata* basis between paragraph (A), paragraph (B) and paragraph (C) above;

(f) (save for any amounts received or recovered by the Common Security Agent in connection with the realization or enforcement of the Priority Creditor Only Transaction Security and related Enforcement Proceeds) in payment or distribution to the Bondco Notes Trustee on its own behalf and on behalf of the Bondco Proceeds Loan Lender and the Bondco Noteholders, for application towards the discharge of the Bondco Liabilities (in accordance with the terms of the Bondco Finance Documents);

(g) in payment or distribution to any person to whom the Common Security Agent is obliged to pay or distribute in priority to any Debtor or Security Grantor; and

(h) the balance, if any, in payment or distribution to the relevant Debtor.

Consents, amendments and override

Required consents

(a) Subject to certain provisions of the Intercreditor Agreement,

(i) Sections from "*Equalization definitions" to "Turnover of Enforcement Proceeds (Second Lien Creditors)*" may be amended or waived with the consent of the Common Security Agent and each Affected Party and shall not require the consent of any other Party which is not an Affected Party (for purposes of this paragraph (a), the term "**Affected Party**" shall mean each Creditor Representative acting on behalf of the *Pari Passu* Debt Creditors, the Second Lien Debt Creditors, Senior Subordinated Debt Creditors of which, in each case, it is the Creditor Representative to the extent that that amendment or waiver affects those Parties);

(ii) The section titled "*Enforcement instructions: Priority Creditor Only Transaction Security and Common Transaction Security and blocking of Unsecured Creditor rights*" (other than paragraph (f) thereof) may be amended or waived with the consent of the Required *Pari Passu* Creditors and the Common Security Agent and without the consent of:

(A) any Second Lien Creditor to the extent that amendment or waiver does not impose obligations on that Second Lien Creditor;

(B) any Senior Subordinated Creditor to the extent that amendment or waiver does not impose obligations on that Senior Subordinated Creditor; or

(C) the Company, any Debtor, any Intra-Group Lender or any Shareholder Creditor to the extent that amendment or waiver does not impose obligations on the Company, that Debtor, that Intra-Group Lender or that Shareholder Creditor; and

(iii) subject to paragraphs (i) and (ii) above, the Intercreditor Agreement may be amended or waived only with the consent of the Creditor Representatives of the relevant creditor group(s), the Required *Pari Passu* Creditors, the Required Second Lien Creditors, the Required Senior Subordinated Creditors, the relevant Security Agent and the Company.

(b) An amendment or waiver that has the effect of changing or which relates to:

(i) The sections titled "*Redistribution"*, *"Enforcement of Transaction Security"*, *"Application of proceeds*", and "*Primary Creditor Debt Liabilities*" or this section "*Required consents*";

(ii) paragraphs (h)(iii), (i) and (j) of the section titled "*Instructions*"; or

(iii) the order of priority or subordination under the Intercreditor Agreement, shall not be made without the consent of:

(A) the Creditor Representatives (to the extent that the amendment or waiver would adversely affect that Creditor Representative);

(B) each *Pari Passu* Notes Trustee acting on behalf of the *Pari Passu* Noteholders for which it is the Creditor Representative (to the extent that the amendment or waiver would adversely affect the *Pari Passu* Noteholder or any class of them);

(C) the *Pari Passu* Lenders (to the extent that the amendment or waiver would adversely affect the *Pari Passu* Lenders or any class of them);

(D) the Second Lien Facility Lenders (to the extent that the amendment or waiver would adversely affect the Second Lien Facility Lenders or any class of them);

(E) each Second Lien Notes Trustee acting on behalf of the Second Lien Noteholders for which it is the Creditor Representative (to the extent that the amendment or waiver would adversely affect the Second Lien Noteholders or any class of them);

(F) the Senior Subordinated Facility Lenders (to the extent that the amendment or waiver would adversely affect the Senior Subordinated Facility Lenders or any class of them);

(G) each Senior Subordinated Notes Trustee acting on behalf of the Senior Subordinated Noteholders for which it is the Creditor Representative (to the extent that the amendment or waiver would adversely affect the Senior Subordinated Noteholders or any class of them);

(H) the Unsecured Lenders (to the extent that the amendment or waiver would adversely affect the Unsecured Lenders or any class of them);

(I) each Unsecured Notes Trustee acting on behalf of the Unsecured Noteholders for which it is the Creditor Representative (to the extent that the amendment or waiver would adversely affect the Unsecured Noteholders or any class of them);

(J) each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect the Hedge Counterparties or any class of them);

(K) the Common Security Agent; and

(L) the Company.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to the section titled "*Unsecured Creditors and Unsecured Liabilities*", "*Non-Distressed Disposals*", and "*Distressed Disposals and appropriation*" or this section "*Consents, Amendments and Override*", shall not be made without the consent of the Company and each Creditor Representative of the Unsecured Creditors (to the extent that the amendment or waiver would adversely affect such Unsecured Creditors).

Refinancing

The Intercreditor Agreement contemplates refinancing in whole or in part of the Senior Liabilities and the *Pari Passu* Liabilities, the releasing and relocating of security if so required and the continuance of the Intercreditor Agreement.

Senior Facilities

Overview

On 21 June 2018, we entered into a syndicated facilities agreement (as amended and/or restated from time to time, the "**Senior Facility Agreement**") providing for, among other things, a US dollar term loan facility (the "**First Senior Term Facility**") and a multi-currency revolving credit facility (the "**First Senior Revolving Credit Facility**" together with the First Senior Term Facility, the "**First Senior Facilities**") equivalent in aggregate to USD350,000,000, with The Hongkong and Shanghai Banking

Corporation Limited as agent and security agent, Goldman Sachs (Asia) L.L.C. as mandated lead arranger and affiliates of Goldman Sachs (Asia) L.L.C. as the original lenders.

On 13 December 2019, we executed a syndication, amendment and restatement agreement which amended and restated the Senior Facility Agreement to give effect to the 2019 Incremental Term Facilities (defined therein) of USD625,000,000 (the "**Second Senior Term Facilities**") and the 2019 Incremental Revolving Facilities of USD50,000,000 (the "**Second Senior Revolving Credit Facility**", together with the Second Senior Term Facilities, the "**Second Senior Facilities**") equivalent in aggregate to USD675,000,000. The proceeds of the 2019 Incremental Facilities were applied towards the prepayment of the First Senior Facilities, the general corporate purposes, working capital of the Group and prepay all of the HSBC Incremental Facility.

On 27 September 2021, we executed an incremental facility request letter (the "**2021 Incremental Facility Request Letter**") with Goldman Sachs Lending Partners LLC pursuant to which the 2021 Incremental Facility Original Lender (defined therein), among other things, made the USD150,000,000 term loan facility (the "**2021 Incremental Term Facility**") available to the 2021 Incremental Facilities Borrower (as defined in the 2021 Incremental Facility Request Letter) to fund a portion of the total amount payable for the acquisition of Zesty Paws and related fees, costs and expenses. Health and Happiness (H&H) International Holdings Limited was the borrower under the 2021 Incremental Term Facility.

On 27 September 2021, we also entered into a facility agreement (the "**Bridge Facility Agreement**") providing for, among other things, a USD350,000,000 term loan facility by and among others, Goldman Sachs (Asia) L.L.C. as mandated lead arranger and Goldman Sachs Lending Partners LLC as original lender to fund a portion of the total amount payable for the acquisition of Zesty Paws and related fees, costs and expenses. The term loan facility made available under the Bridge Facility Agreement has been fully repaid by the loan proceeds that were drawn under the Senior Term Facilities (as defined below).

On 28 April 2022, we executed an incremental facility request letter (the "**2022 Incremental Facility Request Letter**") with the 2022 Incremental Facility Original Lenders (defined therein), among other things, made the USD1,125,000,000 (the "**Senior Term Facilities**") and the 2022 Incremental Revolving Facility of USD75,000,000 (the "**Senior Revolving Credit Facility**", together with the Senior Term Facilities, the "**2022 Senior Facilities**") equivalent in aggregate to USD1,200,000,000, available to the 2022 Incremental Facilities Borrower (as defined in the 2022 Incremental Facility Request Letter). The proceeds of the 2022 Incremental Facilities were applied towards the repayment of the Second Senior Facilities, the Bridge Facility and the 2021 Incremental Term Facility, the costs of repayment and the general corporate purposes of the Group. On 28 April 2022, we also executed an amendment and restatement agreement (the "**2022 Amendment and Restatement Agreement**") which amended and restated the Senior Facility Agreement following the repayment of the Second Senior Facilities, the Bridge Facility and the 2021 Incremental Term Facility. The 2022 Amendment and Restatement Agreement amended and restated the Senior Facility Agreement to reflect the terms applicable to the 2022 Senior Facilities. The Senior Term Facilities made available under the Senior Facility Agreement have been fully repaid by the proceeds of (i) the Bilateral Facility, (ii) the Zinc Facilities and (iii) the Omega Facilities (each as defined below). The Senior Revolving Credit Facility has been fully canceled pursuant to a cancelation notice issued by us.

On 14 September 2022, we executed an amendment and restatement agreement which amended and restated the Senior Facility Agreement to give effect to certain amendments which permit the redenomination and re-tranching of the commitments under the Senior Term Facilities.

2024 Senior Facilities

Overview

On 27 June 2024, we entered into a syndicated facilities agreement (as amended and/or restated from time to time, the "**Zinc Syndicated Facilities Agreement**") providing for CNH equivalent of USD150,000,000 term loan facilities (the "**Zinc Facilities**") to be arranged by, among others, China Construction Bank (Asia) Corporation Limited as mandated lead arranger and bookrunner and as original lender to fund the partial prepayment of the Senior Term Facilities.

On 30 August 2024, we entered into a syndicated facilities agreement (as amended and/or restated from time to time, the "**Omega Syndicated Facilities Agreement**") providing for, among other things, a US dollar term loan facility (the "**Omega Term Facilities**") and a multi-currency revolving credit facility (the "**Omega RCF**", together with the Omega Term Facilities, the "**Omega Facilities**") equivalent in aggregate to USD560,000,000, with among others, The Hongkong and Shanghai Banking Corporation Limited as agent and security agent, Goldman Sachs (Asia) L.L.C., China CITIC Bank Corporation Limited, Guangzhou Branch, China CITIC Bank International Limited, Coöperatieve Rabobank U.A. Hong Kong Branch, a branch of Coöperatieve Rabobank U.A. whose place of incorporation is the Netherlands, Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Industrial Bank Co., Ltd. (a Joint Stock Company Incorporated In P.R.C With Limited Liability), Hong Kong Branch and Morgan Stanley Senior Funding, INC. as mandated lead arrangers.

We have also entered into a bilateral loan agreement with Luso International Banking Limited amounting to RMB200,000,000 equivalent (the "**Bilateral Facility**").

Repayments and prepayments

The Zinc Facilities

The Zinc Facilities will mature 36 months from 10 July 2024 (the "**Zinc IUD**") (the "**Zinc Termination Date**"). The Zinc Facilities is repayable in instalments on the following dates in the aggregate amount equal to the relevant percentage specified below of the aggregate loans under the Zinc Facilities that are outstanding as of the end of the Availability Period (as defined in the Zinc Syndicated Facilities Agreement).

Repayment Date	Percentage
Zinc IUD plus 6 Months	1%
Zinc IUD plus 12 Months	4%
Zinc IUD plus 18 months	5%
Zinc IUD plus 24 months	5%
Zinc IUD plus 30 months	5%
Zinc Termination Date	80%
Total	**100%**

The Zinc Syndicated Facilities Agreement also requires mandatory prepayment in full or in part in certain circumstances, including but not limited to:

(i) with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Zinc Syndicated Facilities Agreement or to fund, issue or maintain its participation in any utilization; or

(ii) upon the occurrence of:

(a) a change of control; or

(b) the sale of all or substantially all of the assets of the Group.

The Omega Facilities

The Omega Facilities will mature 36 months from 13 November 2024 (the "**Omega IUD**"). The Omega Term Facilities are repayable in instalments on the following dates in the aggregate amount equal to the relevant percentage specified below of the aggregate loans under the Omega Term Facilities that are outstanding as of the end of the Availability Period (as defined in the Omega Syndicated Facilities Agreement).

Repayment Date	Percentage
Omega IUD plus 6 Months	2.5%
Omega IUD plus 12 Months	2.5%
Omega IUD plus 18 months	2.5%
Omega IUD plus 24 months	2.5%
Omega IUD plus 30 months	2.5%
Omega IUD plus 36 months	87.5%
Total	**100%**

A loan utilized under the Omega RCF will be repaid on the last day of its interest period. If, on the same day that a loan utilized under the Omega RCF is to be repaid (the "**Maturing Revolving Credit Facility Loan**"), one or more new loans are to be made available to the borrowers under the Omega RCF, the utilization request will be treated as if applied in or towards repayment of the Maturing Revolving Credit Facility Loan, subject to certain conditions contained in the Omega Syndicated Facilities Agreement. Subject to certain conditions, we may voluntarily prepay our utilization under the Omega Term Facilities or the Omega RCF in whole or in part but, if in part, being in a minimum amount of USD1 million, by giving not less than three business days' prior notice to the agent under the Omega Syndicated Facilities Agreement.

The Omega Syndicated Facilities Agreement also requires mandatory prepayment in full or in part in certain circumstances, including but not limited to:

(i) with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Omega Syndicated Facilities Agreement or to fund, issue or maintain its participation in any utilization;

(ii) if the 2026 Notes have not been repaid or otherwise refinanced, refunded, replaced, exchanged, renewed, redeemed, defeased, discharged or extended, in full on or prior to the date falling 3 months prior to the maturity of the 2026 Notes (as may be extended from time to time); or

(iii) upon the occurrence of:

(a) a change of control; or

(b) the sale of all or substantially all of the assets of the Group.

Interest and Fees

The Zinc Facilities

The Zinc Facilities consist a fixed rate facility ("**Facility A**") and a floating rate facility ("**Facility B**"). Facility A under the Zinc Facilities bears interest at a fixed rate of 4.85% per annum whereas Facility B under the Zinc Facilities bears interest at a rate per annum equal to the relevant benchmark rate and a margin of 1.80% per annum. Accrued interest on the Zinc Facilities will be repaid on the last day of each interest period or, if the interest period is longer than six months, on the dates falling at six month intervals after the first day of that interest period.

The Omega Facilities

The Omega Facilities bear interest at a rate per annum equal to the relevant benchmark rate and a margin of 3.00% per annum. The margin may be adjusted either up or down by reference to the corporate credit rating of the Company issued by any one of Standard & Poor's Ratings Services, Moody's Investors Service or Fitch Ratings Limited, subject to certain terms in the Omega Syndicated Facilities Agreement. The margin may be reduced by reference to the ESG Targets (as defined in the Omega Syndicated Facilities Agreement) achieved by the Company, subject to certain terms in the Omega Syndicated Facilities Agreement. Accrued interest on the Omega Facilities will be repaid on the last day of each interest period or, if the interest period is longer than six months, on the dates falling at six month intervals after the first day of that interest period.

We are also required to pay arrangement fees and certain fees to the mandated lead arrangers, the agents and the security agent in connection with each of the Zinc Facilities and the Omega Facilities (together the "**2024 Senior Facilities**").

Security and Guarantees

The 2024 Senior Facilities are guaranteed on a joint and several basis by the Company and certain of the Company's subsidiaries. Each of the Zinc Syndicated Facilities Agreement and the Omega Syndicated Facilities Agreement (together the "**2024 Syndicated Facilities Agreements**" and each, a "**2024 Syndicated Facilities Agreement**") requires that each of our subsidiaries, whose EBITDA represents 7.5% or more, if an Investment Grade Trigger (as defined below) is continuing, 10% or more of the consolidated EBITDA of the Group, guarantee the 2024 Senior Facilities. In addition, the 2024 Syndicated Facilities Agreements require that the EBITDA and of all guarantors represent not less than 80% or more, if an Investment Grade Trigger is continuing, not less than 70% of the consolidated EBITDA of the Group.

The 2024 Senior Facilities are secured by fixed and floating charges over all present and future assets of the Company and certain of the guarantors and assignments over the Company's and certain of the guarantors' rights to their material contracts and insurance policies. In addition, share pledges over the guarantors' shares secure the obligations under the 2024 Senior Facilities. All new shareholder loans and all intercompany loans, subject to certain criteria, are required to be subordinated and assigned by way of security.

Notwithstanding the above, at any time when an Investment Grade Trigger is continuing no Group Member is required to grant further security and any obligation to provide top-up security or any perfection requirement is suspended until such time as the Investment Grade Trigger is no longer continuing.

In this paragraph, "**Investment Grade Trigger**" means, at any given time, at least one corporate credit rating of Baa3 according to Moody's Investors Service or BBB– according to Standard & Poor's Ratings Services or Fitch Ratings Limited (in each case with at least a stable outlook) or, in each case, any higher rating is in effect.

Covenants

The 2024 Senior Facilities contain customary affirmative and restrictive covenants, including, but not limited to:

- covenants relating to obtaining required authorizations; compliance with laws; payment of taxes; *pari passu* ranking of unsecured payment obligations; limitations on granting security, guarantees and indemnities; limitations on financial indebtedness; limitations on disposals, loans, acquisitions and joint ventures; limitations on dividends and share redemption; compliance with environmental laws; information about environmental claims; intellectual property; pensions; arm's length transactions; preservation of assets; amendments of constitutional documents no change of business; guarantor coverage (as described above); sanctions, anti-corruption and anti-money laundering;

- information covenants relating to providing annual and semi-annual statements of the Group and compliance certificates, granting the agent and the security agent access to the Company and (with respect to the Omega Facilities only) annual ESG report of the Group; and

- covenants relating to restrictions on repayment or prepayment of any subordinated debt.

Financial covenants

Each 2024 Syndicated Facilities Agreement requires us to ensure that the Group does not exceed a net leverage ratio of 4.50:1 and maintain a minimum interest cover ratio of 3.00:1 (as detailed in the 2024 Syndicated Facilities Agreements) on the date that the relevant financial statements and the compliance certificate are delivered, in each case by reference to the applicable half year date on each test date.

Events of Default

Each 2024 Syndicated Facilities Agreement contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications) which include, but are not limited to, the following:

- non-payment of any amount when due;

- failure to comply with financial covenants, conditions subsequent;

- material inaccuracy of a representation or warranty when made;

- unlawfulness on the part of any obligor to perform obligations under such 2024 Syndicated Facilities Agreement;

- cross-default to financial indebtedness;

- insolvency and related insolvency events of an obligor or a material company of the Group;

- qualification of the audit report for audited annual consolidated financial statements of the Company;

- expropriation of assets of the any obligor or material company;

- repudiation and rescission of such 2024 Syndicated Facilities Agreement;

- cessation of business of a member of the Group;

- material adverse change;
- material litigation; and
- delisting or suspension of trading of the Company.

The occurrence of any event of default which is continuing would, subject to agreed grace periods, thresholds and other qualifications, allow lenders, among other things, to declare that all or part of the loans, together with interest and any other amounts accrued, be immediately due and payable, and/or exercise or direct the security agent to exercise any rights, remedies, powers or discretions under each 2024 Syndicated Facilities Agreement.

Governing Law and Enforcement

The Zinc Syndicated Facilities Agreement is governed by Hong Kong law. The courts of Hong Kong have exclusive jurisdiction to settle any claims arising out of or in connection with the Zinc Syndicated Facilities Agreement.

The Omega Syndicated Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law. The courts of England have exclusive jurisdiction to settle any claims arising out of or in connection with the Omega Syndicated Facilities Agreement.

RMB Loan Facilities

From May 2023 to December 2024, we entered into a total number of eleven bilateral loan agreements with two state-owned banks and three non-state-owned banks in the PRC (collectively, the "**RMB Loan Facilities**"), through which we obtained a total committed credit line for RMB loans of RMB2,194 million for loan facilities. The RMB Loan Facilities are governed by PRC law.

The 2026 Notes

On 26 June 2023, we entered into the 2026 Notes Indenture pursuant to which we issued the 2026 Notes, which consisted of USD58,207,000 of new notes and USD141,793,000 of notes issued in exchange for prior outstanding notes. On 12 April 2024, we issued USD120,200,000 of additional 2026 Notes. As of the date of this offering memorandum, USD300,000,000 in principal amount of 2026 Notes remains outstanding.

Guarantee

Our obligations under the 2026 Notes are guaranteed by certain of our existing subsidiaries (the "**2026 Notes Subsidiary Guarantors**") other than those organized under the laws of the PRC or as specified in the 2026 Notes Indenture. Each of the 2026 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2026 Notes on a senior basis.

Collateral

The 2026 Notes are secured on a first-ranking basis (pursuant to the terms of the Security Documents (as defined in the 2026 Notes Indenture)) by customary debentures/security agreements over all or substantially all assets of the Company and each initial 2026 Notes Subsidiary Guarantor (in each case other than any assets located in the PRC or Capital Stock of subsidiaries in the PRC that do not secure the 2026 Notes) as well as pledges/charges over shares of each initial Subsidiary Guarantor, Health and Happiness (H&H) China Limited and Biostime (Guangzhou) Health Products Limited (the "**2026 Notes**

Collateral"). The 2026 Notes Collateral is subject to the terms of the Intercreditor Agreement and may be limited by applicable law or subject to certain defenses that may limit its validity or enforceability. The 2026 Notes are "*Pari Passu* Debt Liabilities" as defined in the Intercreditor Agreement.

Interest

The 2026 Notes bear an interest rate of 13.5% per annum, payable semi-annually in arrear.

Covenants

Subject to certain conditions and exceptions, the 2026 Notes Indenture contains certain covenants, limit our ability and the ability of certain restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- make investments or other specified restricted payments;
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- issue or sell capital stock of restricted subsidiaries;
- create liens on assets to secure indebtedness;
- guarantee indebtedness of the Company or restricted subsidiaries;
- transfer or sell assets;
- enter into, renew or extend certain transactions with shareholders or affiliates;
- enter into agreements that restrict our restricted subsidiaries' ability to pay dividends;
- enter into sale and leaseback transactions;
- impair the security interests in respect of the collateral;
- enter into unrelated businesses; and
- merge or consolidate with or into another company.

Events of Default

The 2026 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2026 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2026 Notes Indenture. If an event of default occurs and is continuing, the trustee under the 2026 Notes Indenture or the holders of at least 25% of the outstanding 2026 Notes may declare the principal of the 2026 Notes *plus* any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding existing 2026 Notes at a purchase price equal to 101% of their principal amount *plus* any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2026 Notes is 26 June 2026.

On or after 26 June 2025, we may on any one or more occasions redeem all or any part of the 2026 Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, *plus* accrued and unpaid interest, if any, on the 2026 Notes redeemed, to (but not including) the applicable redemption date, if redeemed during the twelve-month period beginning on 26 June of the years indicated below:

Year	Redemption Price
2025 and thereafter	106.75%

We may at our option redeem the 2026 Notes, in whole but not in part, at any time prior to 26 June 2025, at a redemption price equal to 100% of the principal amount of the 2026 Notes redeemed *plus* the Applicable Premium (as defined in the 2026 Notes Indenture) as of, and accrued and unpaid interest, if any, to (but not including) the applicable redemption date (subject to the rights of holders of 2026 Notes on the relevant record date to receive interest on the relevant interest payment date).

At any time and from time to time prior to 26 June 2025, we may at our option, on any one or more occasions, redeem up to 40% of the aggregate principal amount of the 2026 Notes at a redemption price equal to 113.5% of the principal amount of the 2026 Notes redeemed, *plus* any accrued and unpaid interest, to (but not including) the redemption date, with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

The RMB Bonds

On 26 March 2024, we completed an issuance of RMB500,000,000 7.5% guaranteed bonds due 2027 (the "**RMB Bonds**"). The RMB Bonds are unsecured and unconditionally and irrevocably guaranteed by the Subsidiary Guarantors. The RMB Bonds are not listed on any stock exchange and are unrated. The proceeds from the RMB Bonds issuance were used to repay the existing offshore indebtedness of the Company.

Guarantee

The Subsidiary Guarantors unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Company under the trust deed dated 26 March 2024 in relation to the RMB Bonds and the RMB Bonds, subject to the terms and conditions of the RMB Bonds. The Subsidiary Guarantors' obligations in that respect are contained in the deed of guarantee dated 26 March 2024 in relation to the RMB Bonds. The RMB Bonds constitute direct, unsubordinated, unconditional, and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves.

Interest

The RMB Bonds bear an interest rate of 7.5% per annum, payable semi-annually in arrear.

Covenants

The RMB Bonds contain a negative pledge provision, a provision in relation to limitation on issuances of guarantees by subsidiaries, a provision in relation to limitation on consolidation, merger and sale of assets, among others, as further described in the terms and conditions of the RMB Bonds.

Events of Default

Events of default with respect to the RMB Bonds include failure to pay principal, premium (if any), interest or additional amounts, as further described in the terms and conditions of the RMB Bonds.

Maturity and Redemption

Unless previously redeemed, or purchased and canceled, each RMB Bond shall be finally redeemed at its principal amount on the interest payment date falling on, or nearest to, 26 March 2027. The RMB Bonds may be redeemed at the option of the Company in whole, but not in part, at their principal amount (together with interest accrued to (but excluding) the date fixed for redemption in the event of certain changes affecting taxes of the relevant taxation jurisdictions as described in the terms and conditions of the RMB Bonds.

DESCRIPTION OF THE NOTES

For purposes of this "*Description of the Notes*", the term "**Company**" refers only to Health and Happiness (H&H) International Holdings Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company that Guarantees the Notes is referred to as a "**Subsidiary Guarantor**", and each such guarantee is referred to as a "**Subsidiary Guarantee**".

The Notes are to be issued under an indenture (the "**Indenture**"), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and The Hongkong and Shanghai Banking Corporation Limited, as trustee (the "**Trustee**").

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Security Documents. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Security Documents. It does not restate those agreements in their entirety. We urge you to read the Indenture (including the forms of the Notes) because the Indenture, and not this description, defines your rights as Holders of the Notes. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference.

Brief Description of the Notes

The Notes will, upon issuance:

- be general secured obligations of the Company;
- be secured as set forth under "— *Security*";
- be senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- rank *pari passu* with all existing and future secured Indebtedness of the Company that is secured on a first priority basis by assets that secure the Notes (including the Indebtedness under the Senior Facilities and certain Hedging Obligations) and be effectively subordinated to all existing and future secured Indebtedness of the Company that is secured by assets of the Company that do not secure the Notes, to the extent of the value of the assets securing such Indebtedness;
- be guaranteed by the Subsidiary Guarantors on a senior basis, subject to the terms of the Intercreditor Agreement (or any Additional Intercreditor Agreement) and to the limitations described below under "— *The Subsidiary Guarantees*" and in "*Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees and the Collateral*"; and
- be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below).

The Notes will mature on July 24, 2028, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "**Additional Notes**"), subject to certain limitations described under "— *Further Issues*". Unless the context requires otherwise, references to the "**Notes**" for all purposes of the Indenture and this "*Description of the Notes*" include the Notes and any Additional Notes that are actually issued. The Security Documents referred to below under "— *Security*" describes the terms of the Collateral that secure the Notes.

The Notes will bear interest at 9.125% per annum from the Original Issue Date, or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in

arrears on January 24 and July 24 of each year (each an "**Interest Payment Date**"), commencing on July 24, 2025. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Notes will be paid to the Holders of record at the close of business on January 9 or July 9 immediately preceding an Interest Payment Date (each, a "**Record Date**"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Global Note is held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Global Note will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Date before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except December 25 and January 1. In any case in which the date of the payment of principal of, premium (if any) on, or interest on, the Notes is not a Business Day (as defined below), then payment of principal, premium (if any) or interest need not be made in such place on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of USD200,000 and integral multiples of USD1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in US dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be an office of the Paying Agent, currently located at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong, Attention: Issuer Services), and the Notes may be presented for registration of transfer or exchange at such office or agency; **provided that**, if the Notes are in definitive form and the Company acts as its own paying agent, at the option of the Company, payment of interest may be made by check mailed (at the expense of the Company) to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear and Clearstream will be available to participants on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries that are obligors or are expected to become obligors under the Senior Facilities, other than Restricted Subsidiaries organized under the laws of the PRC. The initial Subsidiary Guarantors will be Biostime Healthy (BVI) Limited, Biostime Healthy (Cayman) Limited, Biostime Healthy II (BVI) Limited, Biostime Healthy Hong Kong Limited, Health and Happiness (H&H) Hong Kong Limited, Biostime Healthy Australia Pty Ltd, Biostime Healthy Australia Holdings Pty Ltd, Biostime Healthy Australia Investment Pty Ltd, Swisse China Limited, S W International Pty Ltd, Swisse Wellness Group Pty Ltd, SWG Holdco Pty Ltd, Swisse Wellness Pty Ltd, Health and Happiness (H&H) US International Incorporated, Health and Happiness (H&H) US LLC (formerly known as Zesty Paws, LLC), Health and Happiness (H&H) US Holdings Inc., Health and Happiness (H&H) UK Limited and Biostime International Investment Limited.

As described below under "*— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries*" and subject to the Intercreditor Agreement (or any Additional Intercreditor Agreement), certain Restricted Subsidiaries that guarantee the Senior Facilities in the future or certain other Indebtedness permitted under the Indenture shall also enter into a supplemental indenture as Guarantor of the Notes and accede to the Intercreditor Agreement (or any Additional Intercreditor Agreement). Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date is referred to as a "**Future Subsidiary Guarantor**" and, upon execution of the applicable supplemental indenture to the Indenture, will be a "**Subsidiary Guarantor**".

No existing or future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries that are not Subsidiary Guarantors ("**Non-Guarantor Subsidiaries**") may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

The Subsidiary Guarantee of each Subsidiary Guarantor will each:

- be a senior obligation of such Subsidiary Guarantor;
- rank *pari passu* with all existing and future secured Indebtedness of such Subsidiary Guarantor that is secured on a first-priority basis by assets that secure such Subsidiary Guarantee (including the Senior Facilities and certain Hedging Obligations);
- be effectively subordinated to the secured obligations of such Subsidiary Guarantor secured by assets of such Subsidiary Guarantor that do not secure such Subsidiary Guarantee, to the extent of the value of the assets securing such Subsidiary Guarantee;
- be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, and subject to the limitations set out below, each of the Subsidiary Guarantors will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in US dollars.

The Subsidiary Guarantees will, upon issuance, be senior Indebtedness, which means that, pursuant to the terms of the Intercreditor Agreement (or any Additional Intercreditor Agreement), the Subsidiary Guarantees will rank *pari passu* with all existing and future Senior Indebtedness of the Subsidiary Guarantors, including any obligations under the Senior Facilities and any other Indebtedness ranking *pari passu* with or senior to such Indebtedness incurred after the Original Issue Date. The ability to take enforcement action against the Subsidiary Guarantors will be subject to restrictions imposed by the Intercreditor Agreement and potentially any Additional Intercreditor Agreements entered into after the Original Issue Date. In addition, the Subsidiary Guarantees will be subject to release under certain circumstances, including, but not limited to, the sale of a Restricted Subsidiary pursuant to an enforcement of security over shares of a Restricted Subsidiary taken by the Security Agent acting at the direction of an instructing group of senior secured creditors (including the lenders under the Senior Facilities and the holders of the Notes). See "*Description of Certain Financing Arrangements — The Intercreditor Agreement*".

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, unfair preference, financial assistance, absence or inadequacy of corporate benefit, insolvency or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including Guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "*Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees and the Collateral — Enforcing your rights as a holder of the Notes or under the Subsidiary Guarantees or the Collateral across multiple jurisdictions may be difficult*".

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance or discharge as described under "*— Defeasance — Defeasance and Discharge*";
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- in the case of any Restricted Subsidiary, that, after the Original Issue Date, is required to Guarantee the Notes pursuant to the covenant described under "*— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries*", upon the release or discharge of all Guarantees by such Restricted Subsidiary (other than its Subsidiary Guarantee) which resulted in the obligation to Guarantee the Notes;
- as described under "*— Amendments and Waiver*";
- as provided for in the Intercreditor Agreement (or any Additional Intercreditor Agreement);
- upon a transaction in compliance with the terms of the Indenture (including the covenants under "*— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*", "*— Certain Covenants — Limitation on Asset Sales*" and "*— Consolidation, Merger and Sale of Assets*") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary; or
- as otherwise permitted in accordance with the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the holders of the Notes until the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

As of the date of the Indenture, all of the Company's Subsidiaries will be "**Restricted Subsidiaries**". However, under the circumstances described below under "— *Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*", the Company will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries". The Company's Unrestricted Subsidiaries will not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Security

Pursuant to the Security Documents, the Notes will be secured on a first ranking basis by customary debentures/security agreements over all or substantially all of the assets of the Company and each initial Subsidiary Guarantor (in each case other than any assets located in the PRC or Capital Stock of subsidiaries in the PRC that will not secure the Notes) as well as pledges/charges over shares of each initial Subsidiary Guarantor, Health and Happiness (H&H) China Limited and Biostime (Guangzhou) Health Products Limited (the "**Collateral**").

The Collateral will also secure, on a first priority basis (pursuant to the terms of the Intercreditor Agreement), liabilities under the Senior Facilities, hedging agreements and certain future Indebtedness.

Subject to certain conditions, including compliance with the covenant described under "— *Certain Covenants — Impairment of Security Interest*", the Collateral may also secure other Indebtedness, including on a basis *pari passu* with the Notes, and the Company and its Restricted Subsidiaries are permitted to grant security over such Collateral in connection with future issuances of their Indebtedness as permitted under the Indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement). See "*Description of Certain Financing Arrangements — Intercreditor Agreement*" and "— *Certain Covenants — Limitation on Liens*" below.

The enforcement of the Security Documents will be subject to the terms and provisions set forth in the Indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement). In general, the rights of the Security Agent (acting on its behalf or at the direction of an instructing group of senior secured creditors (including the lenders under the Senior Facilities and the holders of the Notes)) to take enforcement action under the Security Documents in respect of the Collateral will be subject to certain standstill provisions, payment blockage and other limits on enforcement. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured by the Collateral in compliance with the Indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement). See "*Description of Certain Financing Arrangements — Intercreditor Agreement*". The proceeds from enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes.

The Collateral may be released, and the Trustee shall take any action required to effectuate any release of the Collateral (without the consent of and notice to the holders of the Notes) as required by the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) or the Security Documents:

- if a Subsidiary Guarantor is released from its Guarantee pursuant to the Indenture;
- if the Company designates any Restricted Subsidiary to be an Unrestricted Subsidiary following release of the property and assets and Capital Stock of such Unrestricted Subsidiary;
- in connection with any transaction permitted under "— *Consolidation, Merger and Sale of Assets*" or upon a disposition not prohibited by the provisions described under "— *Certain Covenants — Limitation on Asset Sales*";
- upon the defeasance or discharge of the Notes as provided in "— *Defeasance*" in accordance with the terms of the Indenture;

- as described under "— *Amendments and Waiver*";
- as described under "— *Certain Covenants — Impairment of Security Interests*";
- in accordance with the second paragraph under "— *Certain Covenants — Limitation on Liens*";
- as provided for in the Intercreditor Agreement (or any Additional Intercreditor Agreement); and
- as otherwise permitted in accordance with the Indenture.

No release of the Collateral shall be effective against the Trustee or the holders of the Notes until the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) and the Security Documents.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the Security Documents) in all respects (or in all respects except for the issue date, issue price and the first interest period and, to the extent necessary, certain temporary securities law transfer restrictions) (a "**Further Issue**") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; **provided that**, the issuance of any such Additional Notes will then be permitted under the "*Limitation on Indebtedness*" covenant described below and the other provisions of the Indenture; and, **provided further that**, any Additional Notes will not be issued under the same CUSIP, ISIN or Common Code as the previously outstanding Notes unless such Additional Notes are fungible with the previously outstanding Notes for US federal income tax purposes.

Optional Redemption

On or after July 24, 2026, the Company may on any one or more occasions redeem all or any part of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the applicable redemption date, if redeemed during the twelve-month period beginning on July 24 of the years indicated below (subject to the rights of holders of Notes on the relevant Record Date to receive interest on the relevant Interest Payment Date):

Year	Redemption Price
2026	104.563%
2027 and thereafter	102.281%

The Company may at its option redeem the Notes, in whole but not in part, at any time prior to July 24, 2026, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the applicable redemption date (subject to the rights of holders of Notes on the relevant Record Date to receive interest on the relevant Interest Payment Date). Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Applicable Premium.

At any time prior to July 24, 2026, the Company may at its option, on any one or more occasions, redeem up to 40% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in one or more Equity Offerings at a redemption price of 109.125% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the applicable redemption date (subject to the rights of holders of Notes on the relevant Record Date to receive interest on the relevant Interest Payment Date); **provided that** at least 60% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the Equity Offering.

In connection with any Change of Control Offer, if Holders of not less than 90.0% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such Change of Control Offer and the Company purchases, or any third party making such Change of Control Offer in lieu of the Company purchases, all of the Notes validly tendered and not validly withdrawn by such Holders, the Company or such third party will have the right upon notice, given not more than 60 days following such purchase date, to redeem all Notes that remain outstanding following such purchase at a price equal to the price offered to each other Holder in such Change of Control Offer, *plus*, to the extent not included in the Change of Control Offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the Redemption Date (subject to the right of the Holders of record on the relevant Record Date to receive interest due on an interest payment date that is on or prior to the Redemption Date).

The Company will give not less than 10 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes will be selected for redemption as follows:

(1) if the Notes are listed on any securities exchange and/or are held through the clearing systems, in compliance with the requirements of the principal securities exchange on which the Notes are listed and/or in compliance with the requirements of the clearing systems; or

(2) if the Notes are not listed on any securities exchange and/or are not held through the clearing systems, on a *pro rata* basis, by lot or by such other method as the Company in its sole and absolute discretion shall deem to be fair and appropriate unless otherwise required by law.

A notice of redemption may, in the Company's discretion, be subject to the satisfaction of one or more conditions precedent, including, but not limited to, completion of an equity or debt offering, a financing, or other corporate transactions. In addition, if such notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Company's discretion, the redemption date may be delayed until such time as any or all of such conditions are satisfied (or waived by the Company in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all of such conditions are not satisfied (or waived by the Company in its sole discretion) by the redemption date, or by the redemption date so delayed.

No Note of USD200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption. Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Holders or any other person for not doing so.

Repurchase of Notes upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "**Change of Control Offer**") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (as defined in clause (2) of the definition of "Offer to Purchase").

Each Syndicated Facilities Agreement provides that the occurrence of certain events that could also constitute a Change of Control Triggering Event under the Indenture will require that the relevant Senior Facilities be cancelled and that all outstanding amounts owing under such Senior Facilities shall become immediately due and payable. The Syndicated Facilities Agreements and the Intercreditor Agreement also do not permit the repayment of the Notes prior to the repayment of the Senior Facilities. The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

The Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors — Risks Relating to the Notes, the Subsidiary Guarantees and the Collateral — We may not be able to finance a change of control offer required by the Indenture*".

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred or to monitor the occurrence of any Change of Control Triggering Event and shall not be liable to the Holders or any person for any failure to do so.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holders' right to require the Company to repurchase Notes upon the occurrence of a Change of Control Triggering Event may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control Triggering Event.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The provisions of the Indenture relating to the Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of more than 50% in outstanding principal amount of the Notes.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption payments or sinking fund payments with respect to the Notes.

Open Market Purchases

The Company or any of its affiliates may purchase Notes in the open market or by tender or by any other means at any price, so long as such acquisition does not otherwise violate the terms of the Indenture; **provided that** all Notes redeemed or repurchased by the Company or any of its affiliates may not be reissued or resold.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under "— *Consolidation, Merger and Sale of Assets*") or an applicable Subsidiary Guarantor is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein (each, as applicable, a "**Relevant Taxing Jurisdiction**") or any jurisdiction from or through which payment is made by or on behalf of the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the "**Relevant Jurisdictions**"), unless such withholding or deduction is required by applicable law or by regulation or governmental policy having the force of applicable law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Holder of each Note, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such

Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on the last date of such 30-day period; or

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the domestic tax laws of a Relevant Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder, if (a) compliance is required by law as a precondition to, exemption from, or reduction in the rate of, the tax and (b) the Company, Surviving Person or Subsidiary Guarantor, as applicable, has given the Holder at least 30 days' notice that the Holder will be required to provide such certification, identification, documentation or other requirement;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or governmental charge or any tax imposed other than by deduction or withholding from payments on or in respect of the Notes;

(c) any tax, duty, assessment or governmental charge to the extent such tax, duty, assessment or governmental charge results from the presentation of the Note (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere; or

(d) any combination of taxes, duties, assessments or governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Notwithstanding anything to the contrary in this "*Description of the Notes*", the Company, each Subsidiary Guarantor, the Trustee and the Paying Agent shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 ("**FATCA**") of the US Internal Revenue Code of 1986, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Company, a Subsidiary Guarantor, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Company, a Subsidiary Guarantor, the Paying Agent, the Trustee or any other person shall be required to pay any additional amounts with respect to any FATCA withholding or deduction imposed on or with respect to any Note.

The Company will (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. The Company will furnish to the Holders and the Paying Agent, within 90 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company will be obligated to pay Additional Amounts with respect to such payment, the Company will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the Holders on such payment date.

In addition, the Company will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "**Tax Redemption Date**") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction, including any applicable treaty with the Relevant Jurisdiction, affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or, in the case of an official position, is announced (i) with respect to the jurisdictions of the Company or any initial Subsidiary Guarantor, on or after the date of this offering memorandum, or (ii) with respect to any other jurisdiction, on or after the date such jurisdiction became a Relevant Jurisdiction, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, is, or on a subsequent Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be (including for the avoidance of doubt, appointment of a new Paying and Transfer Agent where such appointment is reasonable); **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change or amendment referred to in this section entitled "*Redemption for Taxation Reasons*" has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, taking reasonable measures; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in this section entitled "*Redemption for Taxation Reasons*".

The Trustee shall conclusively rely on and accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness); **provided that** the Company and its Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness) if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (a) no Default has occurred and is continuing, (b) the Fixed Charge Coverage Ratio would not be less than 2.75 to 1.0 with respect to any Incurrence of Indebtedness and (c) the Net Leverage Ratio would not exceed 4.25 to 1.0 with respect to any Incurrence of Indebtedness; **provided that** Restricted Subsidiaries that are not Subsidiary Guarantors may not Incur such Indebtedness if the aggregate principal amount of Indebtedness of Restricted Subsidiaries that are not Subsidiary Guarantors would, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, exceed 100.0% of Consolidated EBITDA for the then most recent four fiscal quarters prior to the Incurrence of such Indebtedness.

(2) Notwithstanding the foregoing, the Company and any Restricted Subsidiary may Incur, to the extent provided below, each and all of the following ("**Permitted Indebtedness**"):

    (a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;

    (b) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date;

    (c) Indebtedness of the Company or any Restricted Subsidiary (other than PRC Restricted Subsidiaries) Incurred pursuant to (i) term loan Credit Facilities (whether newly Incurred or in existence on the Original Issue Date) in an aggregate principal amount (together with any refinancings thereof) not to exceed (A) the greater of (x) USD690.0 million and (y) 200.0% of Consolidated EBITDA of the Company for the then most recent four fiscal quarters prior

to the Incurrence of such Indebtedness plus (B) in the case of any refinancing of any Indebtedness permitted under this clause (c)(i) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing and (ii) revolving Credit Facilities (whether newly Incurred or in existence on the Original Issue Date) in an aggregate principal amount (together with any refinancings thereof) not to exceed (A) the greater of (x) USD20.0 million and (y) 20.0% of Consolidated EBITDA of the Company for the then most recent four fiscal quarters prior to the Incurrence of such Indebtedness plus (B) in the case of any refinancing of any Indebtedness permitted under this clause (c)(ii) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; **provided that** (i) any event which results in (x) any Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or (y) any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness (and none of the Subsidiary Guarantors is the obligee on such Indebtedness), such Indebtedness be subordinated under the Intercreditor Agreement (or any Additional Intercreditor Agreement), or by its terms must be expressly subordinated in right of payment to the Notes, and if any Subsidiary Guarantor is the obligor on such Indebtedness (and none of the Company or any other Subsidiary Guarantor is the obligee on such Indebtedness), such Indebtedness must be subordinated under the Intercreditor Agreement (or any Additional Intercreditor Agreement), or by its terms must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;

(e) Indebtedness ("**Permitted Refinancing Indebtedness**") of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, "**refinance**" and "**refinances**" and "**refinanced**" shall have a correlative meaning), then outstanding Indebtedness Incurred under clause (1) above or clauses (2)(a), (b) or (e) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); **provided that** (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, as the case may be, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) Indebtedness of the Company may only be refinanced pursuant to this clause (e) with Indebtedness of the Company or a Financing Subsidiary, and (iv) in no event may Indebtedness of any

Subsidiary Guarantor be refinanced pursuant to this clause (e) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations (i) entered into in the ordinary course of business for *bona fide* purposes to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation or (ii) designed to reduce or manage interest expenses;

(g) Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently, except in the case of daylight overdrafts, drawn against insufficient funds in the ordinary course of business; **provided that** this Indebtedness is extinguished within five Business Days;

(h) Indebtedness of the Company or any Restricted Subsidiary in respect of (i) workers' compensation claims and claims arising under similar legislation, or in connection with self-insurance or similar requirements, in each case in the ordinary course of business; (ii) the financing of insurance premiums in the ordinary course of business and (iii) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(i) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for customary guarantees, indemnification, adjustment of purchase price, earn-out or other similar obligations, in each case Incurred or assumed in connection with the disposition of any business, assets of the Company or of a Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of any of the Company's or a Restricted Subsidiary's business or assets for the purpose of financing an acquisition; **provided that** the maximum assumable liability in respect of all this Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and/or the relevant Restricted Subsidiary in connection with the disposition;

(j) (i) obligations with respect to letters of credit, bankers' acceptances, performance and surety bonds and completion guarantees provided by the Company or any of its Restricted Subsidiaries securing obligations or liabilities, entered into in the ordinary course of business or in respect of any governmental requirement, to the extent the letters of credit, bonds or guarantees are not drawn upon or, if and to the extent drawn upon is honoured in accordance with its terms and, if to be reimbursed, is reimbursed no later than 30 days following receipt of a demand for reimbursement following payment on the letter of credit, bond or guarantee, (ii) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business, (iii) Indebtedness incurred by the Company or a Restricted Subsidiary in connection with, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business, and (iv) Extended Letters of Credit;

(k) Indebtedness of the Company or any Restricted Subsidiary:

  (i) representing Capitalized Lease Obligations incurred in the ordinary course of business; or

(ii) constituting purchase money Indebtedness incurred to finance (x) all or any part of the purchase price of equipment, property or assets to be used in the ordinary course of a Permitted Business of the Company or any Restricted Subsidiary (including the purchase of Capital Stock of any Person holding such equipment, property or assets that is, or will upon such purchase become, a Restricted Subsidiary) or (y) the cost of development, construction or improvement of equipment, property or assets to be used in the ordinary course of a Permitted Business by the Company or a Restricted Subsidiary;

provided that (A) such purchase money Indebtedness shall not exceed the purchase price of such equipment, property or assets so acquired, (B) such purchase money Indebtedness shall be Incurred no later than 180 days after the acquisition of such equipment, property or assets and (C) on the date of the Incurrence of any Indebtedness permitted by this clause (k), and after giving effect thereto, the sum of (a) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (k) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregated principal amount) plus (b) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (2)(p), (2)(q), (2)(r) and (2)(s) hereof (together with any refinancings thereof, but excluding any Guarantee Incurred under such clauses to the extent the amount of such Guarantee is otherwise reflected in such aggregated principal amount) does not exceed an amount equal to 15.0% of Total Assets;

(l) Guarantees by any Non-Guarantor Subsidiary of Indebtedness of any other Non-Guarantor Subsidiary and by any PRC Restricted Subsidiary of the Senior Facilities; **provided that** the Indebtedness Guaranteed is permitted to be Incurred under the Indenture;

(m) Guarantees by the Company and any Subsidiary Guarantor of any Indebtedness of the Company or any Restricted Subsidiary; **provided that** the Indebtedness Guaranteed is permitted to be Incurred under the Indenture;

(n) Indebtedness of the Company or any Restricted Subsidiary consisting of local lines of credit, bilateral facilities, working capital facilities and/or other operating facilities, in each case, with a maturity of one year or less used for working capital purposes; **provided that**, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (n) (together with any refinancings thereof) does not exceed the greater of (i) USD50.0 million and (ii) 15.0% of Consolidated EBITDA of the Company for the then most recent four fiscal quarters prior to the incurrence of such Indebtedness;

(o) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with any refinancings thereof) not to exceed USD25.0 million (or the Dollar Equivalent thereof); **provided that** any Indebtedness of the Company or any Restricted Subsidiary of the Company incurred pursuant to this clause (o) shall cease to be deemed incurred or outstanding for purposes of this clause (o) but shall be deemed incurred for purposes of the first paragraph of this covenant from and after the first date on which the Company or any Restricted Subsidiary of the Company could have incurred such Indebtedness under the first paragraph of this covenant without reliance on this clause (o);

(p) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; **provided that**, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (i) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (p) (together with any refinancings thereof, but excluding

any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregated principal amount) plus (ii) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (2)(k), (2)(q), (2)(r) and (2)(s) hereof (together with any refinancings thereof, but excluding any Guarantee Incurred under such clauses to the extent the amount of such Guarantee is otherwise reflected in such aggregated principal amount) does not exceed an amount equal to 15.0% of Total Assets;

(q) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary) by the Company or such Restricted Subsidiary; **provided that**, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (i) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (ii) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (2)(k), (2)(p), (2)(r) and (2)(s) hereof (together with any refinancings thereof, but excluding any Guarantee Incurred under such clauses to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 15.0% of Total Assets;

(r) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); **provided that**, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (i) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (ii) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (2)(k), (2)(p), (2)(q) and (2)(s) hereof (together with any refinancings thereof, but excluding any Guarantee Incurred under such clauses to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 15.0% of Total Assets;

(s) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; **provided that**, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (i) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (s) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (ii) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (2)(k), (2)(p), (2)(q) and (2)(r) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clauses to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 15.0% of Total Assets.

(3) For purposes of determining compliance with this "*Limitation on Indebtedness*" covenant:

(a) in the event that an item of Indebtedness meets the criteria of more than one of the types of Permitted Indebtedness, or of Indebtedness described in the proviso in paragraph (1) of this covenant and one or more types of Permitted Indebtedness, the Company, in its sole discretion, except with respect to Indebtedness Incurred under clause (2)(c) of this covenant, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above;

(b) all Indebtedness outstanding on the Original Issue Date under the Senior Facilities or Incurred under the Senior Facilities shall be deemed to have been incurred under clause (2)(c) of this covenant and the Company shall not be permitted to reclassify all or any portion of such Indebtedness;

(c) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(d) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clauses (2)(c), (2)(j) or (2)(o) of this covenant or clause (1) of this covenant and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(e) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof; and

(f) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

(4) Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

(5) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, **provided that** such Indebtedness was permitted to be Incurred at the time of such Incurrence. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "**Restricted Payments**"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable solely in shares of the Company's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any intercompany Indebtedness between or among the Company and any Wholly Owned Restricted Subsidiary); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur immediately as a result of such Restricted Payment;

(b) the Company could not Incur at least USD1.00 of Indebtedness under proviso (b) in paragraph (1) of the covenant described under "— *Limitation on Indebtedness*"; or

(c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6) and (7) of the next succeeding paragraph) and (2) payments made by the Company and the Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, shall exceed the sum (without duplication) of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Measurement Date occurs and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which may be internal financial statements) are available; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Company of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company or any Restricted Subsidiary; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); **provided, however, that** the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any of its Restricted Subsidiaries from the Incurrence of such Indebtedness; plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) USD25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); **provided that**, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); **provided that**, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

(6) cash payments *in lieu* of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; **provided that**, any such cash payment shall not be for the purpose of evading the limitation of this "*Limitation on Restricted Payments*" covenant (as determined in good faith by the Board of Directors of the Company);

(7) an Investment in the Capital Stock of a Restricted Subsidiary held by a minority shareholder which Investment increases the proportion of the Capital Stock of such Restricted Subsidiary held, directly or indirectly, by the Company;

(8) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); **provided that** the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed USD7.5 million (or the Dollar Equivalent thereof) in the aggregate;

(9) loans or advances to employees, consultants, officers or directors in the ordinary course of business not to exceed USD3.0 million (or the Dollar Equivalent thereof) in the aggregate;

(10) other Restricted Payments in an aggregate amount not to exceed USD25.0 million since the Original Issue Date,

provided that, in the case of clauses (2), (3), (4), (7), (9) and (10) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Notwithstanding the two foregoing paragraphs, the Company shall not make any dividend payments in excess of RMB360.454 million in respect of any fiscal year unless its Net Leverage Ratio at the time of, and after giving effect to, such dividend payment, would not exceed 2.25 to 1.0.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or an appraisal issued by an accounting, appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds USD10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment (other than those made pursuant to clauses (5) through (9) of the second paragraph of this "— *Limitation on Restricted Payments*" covenant) in excess of USD10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— *Limitation on Restricted Payments*" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary (it being understood that the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock shall not be deemed a restriction on the ability to make distributions on Capital Stock);

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary (it being understood that the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances); or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, including the Syndicated Facilities Agreements and the Intercreditor Agreement or in the Notes, the Subsidiary Guarantees, the Indenture or the Security Documents, or any extensions, refinancings, renewals or replacements of any of the foregoing agreements; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no less favorable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) arising or existing under or by reason of applicable law, rule, regulation or order or the terms of any applicable license, authorization, concession, permit or similar instrument issued under any applicable law, rule, regulation or order or as otherwise required by any regulatory authority;

(c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no less favorable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— *Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*", "— *Limitation on Indebtedness*" and "— *Limitation on Asset Sales*" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clauses (1), (2)(e), (2)(k), (2)(n), (2)(o) or (2)(p) of the "— *Limitation on Indebtedness*" covenant (or any Guarantee thereof, if such Guarantee is permitted under the "— *Limitation on Indebtedness*" covenant) if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such type of agreement and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company or any Subsidiary Guarantor to make required payment on the Notes or its Subsidiary Guarantee, as the case may be, and any extensions, refinancings, renewals or replacements thereof; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no less favorable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) existing in customary provisions in leases, licenses, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a lease, license, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes or (y) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee;

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancings, renewals or replacements thereof; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no less favorable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(i) existing with respect to Hedging Obligation permitted to be Incurred under clause (2)(f) of the covenant described under the "— *Limitation on Indebtedness*" covenant solely to the extent that such restriction or encumbrance is only encumbering customary initial deposits or margin deposits or is otherwise within the general parameters customary in the industry with respect to such Hedging Obligations;

(j) any encumbrance or restriction existing by reason of any Lien permitted under the "— *Limitation on Liens*" covenant;

(k) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies or indemnities, in each case, under agreements entered into in the ordinary course of business; or

(l) provisions limiting the disposition or distribution of assets or property in asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); **provided that**, the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— *Limitation on Asset Sales*" covenant to the extent required thereunder; and

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the

"*Limitation on Restricted Payments*" covenant if made on the date of such issuance or sale and **provided that**, the Company complies with the "— *Limitation on Asset Sales*" covenant to the extent required thereunder.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("**Guaranteed Indebtedness**") of the Company or any Subsidiary Guarantor (other than Public Indebtedness issued by the Company or any Restricted Subsidiary in the domestic market in the PRC, or that is settled or cleared through CCDC, in each case which is not secured by Liens on the Collateral that secure the Notes and whose proceeds are used to refinance the Notes or the Indebtedness under the Senior Facilities), unless (1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(b), (2)(c) (solely in respect of Guarantees provided under clauses (2)(l)), (2)(d), (2)(f), (2)(l) or (2)(p) (in the case of clause (2)(p) with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts to secure, directly or indirectly, any Bank Deposit Secured Indebtedness) under the "— *Limitation on Indebtedness*" covenant.

If the Guaranteed Indebtedness (1) is Senior Indebtedness, then the Guarantee of such Guaranteed Indebtedness may rank senior in right of payment to the Subsidiary Guarantee, (2) ranks *pari passu* in right of payment with any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (3) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each, an "**Affiliate Transaction**") involving aggregate value in excess of USD1.0 million (or the Dollar Equivalent thereof), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

   (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of USD5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

   (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of USD10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the

fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees to directors of (x) the Company or (y) any Restricted Subsidiary whose securities are listed on any national or other securities exchange, who are not employees of the Company or such Restricted Subsidiary;

(2) transactions between or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clause (1) or (2) of the first paragraph of the covenant described above under the "— *Limitation on Restricted Payments*" covenant if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(6) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(7) the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction or agreement pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Original Issue Date, as described under the caption "*Related party transactions*" in this offering memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect;

(8) pledges of Capital Stock in Unrestricted Subsidiaries; and

(9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Company that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to Investments (other than Permitted Investments) not prohibited by the "— *Limitation on Restricted Payments*" covenant.

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except: (1) in the case of any asset or property that constitutes Collateral, Permitted Collateral Liens and (2) in the case of any asset or property that does not constitute Collateral, (a) Permitted Liens or (b) Liens other than Permitted Liens; **provided that** with respect to clause (2)(b) that (i) in the case of Liens securing Subordinated Indebtedness, the Notes or the applicable Guarantee of a Subsidiary Guarantor, as the case may be, are secured by a Lien on such property or assets that is senior in priority to such Liens; and (ii) in all other cases, the Notes or the applicable Subsidiary Guarantee of a Subsidiary Guarantor, as the case may be, are equally and rateably secured.

Any such Lien created in favor of the Notes or a Subsidiary Guarantee will be automatically and unconditionally released and discharged upon (i) the release and discharge of the initial Lien to which it relates, and (ii) otherwise as set forth under "— *Security*".

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; **provided that** the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or such Restricted Subsidiary, as the case may be, could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under "— *Limitation on Indebtedness*" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under "— *Limitation on Liens*", in which case, the corresponding Indebtedness shall be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described below under "— *Limitation on Asset Sales*".

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of (as determined in good faith by the Company at the time of contractually agreeing to such Asset Sale);

(3) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur at least USD1.00 of Indebtedness under proviso (b) in paragraph (1) of the covenant described under "*—Limitation on Indebtedness*" after giving *pro forma* effect to such Asset Disposition; and

(4) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); **provided that**, in the case of an Asset Sale in which the

Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of USD10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

Within 365 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or any Restricted Subsidiary may apply an amount equal to such Net Cash Proceeds to:

(a) permanently repay Secured Indebtedness of the Company or any Subsidiary Guarantor, Senior Indebtedness of the Company or any Subsidiary Guarantor or Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto), in each case, owing to a Person other than the Company or a Restricted Subsidiary;

(b) acquire properties and assets (other than current assets), including any shares of Capital Stock in a Person holding such properties or assets that is primarily engaged in a Permitted Business, that will be used in the Permitted Businesses (**provided that** if such investment is in the form or the acquisition of the Capital Stock of a Person, such Person is or becomes a Restricted Subsidiary of the Company) ("**Replacement Assets**"); or

(c) consummate any combination of the foregoing;

provided that, pending the application of Net Cash Proceeds in accordance with sub-clauses (a) or (b) of this paragraph, such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the foregoing paragraph will constitute "**Excess Proceeds**". Excess Proceeds of less than USD10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed USD10.0 million (or the Dollar Equivalent thereof), within ten days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(a) accumulated Excess Proceeds, multiplied by

(b) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest USD1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Company will select the Notes to be purchased on a *pro rata* pass-through distributions of principal basis based on the principal amount of the Notes and such other *pari passu* Indebtedness tendered in accordance with the procedures of Euroclear and Clearstream. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole; **provided, further, that** the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made under the "— *Limitation on Restricted Payments*" covenant.

Limitation on Use of Proceeds

The Company will not use the net proceeds from the sale of the Notes issued on the Original Issue Date, and will not permit any Restricted Subsidiary to use the net proceeds from the sale of the Notes issued on the Original Issue Date, for any purpose other than (1) for the purposes specified under the heading "*Use of Proceeds*" in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; **provided that**:

(1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation;

(2) such Restricted Subsidiary does not own any Disqualified Stock of the Company or any Subsidiary Guarantor or Disqualified or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "— *Limitation on Indebtedness*" or such Lien would violate the covenant described under "— *Limitation on Liens*";

(3) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph;

(4) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary and none of the Company or any Restricted Subsidiary Guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; and

(5) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— *Limitation on Restricted Payments*".

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; **provided that**

(1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation;

(2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under "— *Limitation on Indebtedness*";

(3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under "— *Limitation on Liens*"; and

(4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary).

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect such governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens and Permitted Collateral Liens; and (3) comply with the laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the Indenture or the relevant Subsidiary Guarantee.

Anti-Layering

The Company will not permit any Subsidiary Guarantor to, and no Subsidiary Guarantor shall, Incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated in right of payment to any Senior Indebtedness of such Subsidiary Guarantor unless such Indebtedness is *pari passu* with the Guarantee of such Subsidiary Guarantor or is also by its terms (or by the terms of any agreement governing such Indebtedness or the Intercreditor Agreement (or any Additional Intercreditor Agreement)) made subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor; **provided that** the foregoing limitation shall not apply to distinctions between categories of Senior Indebtedness that exist by reason of (x) any Liens or guarantees arising or created in respect of some but not all such Senior Indebtedness or (y) being secured on a junior priority basis; **provided, further, that** Indebtedness under the Senior Facilities or a Credit Facility that is Senior Indebtedness of a Subsidiary Guarantor may provide for an ordering of payments among the tranches of such Senior Facilities or Credit Facility.

Suspension of Certain Covenants when the Notes Achieve Investment Grade Status

If on any date following the date of the Indenture, the Notes (A)(i) are rated by two Rating Agencies and have a rating of Investment Grade from both of the Rating Agencies or (ii) are rated by three Rating Agencies and have a rating of Investment Grade from two out of the three Rating Agencies, and (B) no Default has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— *Limitation on Indebtedness*";

(2) "— *Limitation on Restricted Payments*";

(3) "— *Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(4) "— *Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*";

(5) "— *Limitation on Issuances of Guarantees by Restricted Subsidiaries*";

(6) "— *Limitation on Transactions with Shareholders and Affiliates*";

(7) "— *Limitation on Business Activities*";

(8) "— *Limitation on Sale and Leaseback Transactions*";

(9) "— *Limitation on Asset Sales*"; and

(10) Clause (4) under the first and second paragraphs of the covenant described "*Consolidation, Merger and Sale of Assets*".

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under "— *Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*" or the definition of "Unrestricted Subsidiary".

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "— *Certain Covenants — Limitation on Restricted Payments*" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee (it being understood that the Trustee shall have no responsibility to determine whether any filings have been made) and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; **provided that** if at any time the common stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with IFRS and audited by a member firm of an internationally recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 60 calendar days after the end of the second financial quarter of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with IFRS and reviewed by a member firm of an internationally recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 60 calendar days after the end of each of the first and third financial quarters of the Company, copies of the unaudited financial statements (on a consolidated basis and in the English language) of the Company, including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company, together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; **provided that** the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default and/or an Event of Default, an Officers' Certificate setting forth the details of the Default and/or the Event of Default, and the action which the Company proposes to take with respect thereto.

Impairment of Security Interest

The Company shall not, and shall not permit any Restricted Subsidiary to, take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the holders, and the Company shall not grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement (or any Additional Intercreditor Agreement), any Lien over any of the Collateral that is prohibited by the covenant entitled "— *Limitation on Liens*"; **provided that** the Company may Incur any Lien over any of the Collateral that is not prohibited by the covenant entitled "— *Limitation on Liens*", including Permitted Collateral Liens, and the Collateral may be discharged, transferred or released in any circumstances not prohibited by the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) or the Security Documents.

Notwithstanding the foregoing, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) pursuant to the incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement). Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by a substantially concurrent retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect, mistake, manifest error or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the holders in any material respect as determined by the Company in good faith and evidenced by an Officers' Certificate delivered to the Trustee; **provided, however, that** (except where permitted by the Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) or to effect or facilitate the creation of Permitted Collateral Liens for the benefit of the Security Agent and holders of other Indebtedness Incurred in accordance with the Indenture), the Security Documents may not be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by a substantially concurrent retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, supplement or modification or release (followed by a substantially concurrent retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor or investment bank of international standing which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by a substantially concurrent retaking of a Lien of at least equivalent ranking over the same assets), (2) a certificate from the principal financial or accounting officer of the Company or the Board of Directors which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications, assumptions and limitations customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by a substantially concurrent retaking of a Lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, modified or released and replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee shall (subject to customary protections and indemnifications) consent to such actions without the need for instructions from or notice to the Holders. For the avoidance of doubt, the Trustee shall not be required to monitor compliance by the Company or its Restricted Subsidiaries of their respective obligations under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement. The Trustee shall accept any certifications and opinions as sufficient evidence of the condition precedent described above, in which event it shall be conclusive and binding on the holders of the Notes.

Amendments to the Intercreditor Agreement and any Additional Intercreditor Agreements

In connection with the Incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries (i) that is permitted by the Indenture to be Incurred pursuant to the covenant described under "— *Limitation on Indebtedness*" and either to share in any of the Collateral or to rank *pari passu* or junior in right of payment to the Notes or *pari passu* or junior to any Subsidiary Guarantee, or (ii) the proceeds of which are used, in whole or in part, to refinance the Notes or Indebtedness referred to in the foregoing clause (i), the Trustee shall, at the request of the Company and without the consent of or notice to the holders, enter into with the Company, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement (an "**Additional Intercreditor Agreement**")), on substantially similar terms as the Intercreditor Agreement (or terms that are not materially less favorable to the holders), including substantially similar terms as applies to sharing of the proceeds of security and enforcement of security, priority and release of security and guarantees; **provided that** such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Trustee under the Indenture or the Intercreditor Agreement, as the case may be. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall, at the written direction of the Company and without the consent of the holders of the Notes, consent to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; **provided, however, that** such transaction would comply with the covenant described under "— *Limitation on Restricted Payments*".

The Indenture will also provide that, at the written direction of the Company and without the consent of Holders, the Trustee shall from time to time enter into one or more amendments to the Intercreditor Agreement (or any Additional Intercreditor Agreement): (1) to cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) to increase the amount or types of Indebtedness covered by any such intercreditor agreement that may be Incurred by the Company or its Restricted Subsidiaries that is subject to any such intercreditor agreement (**provided that** such Indebtedness is Incurred in compliance with the Indenture), (3) to add Subsidiary Guarantors or other Restricted Subsidiaries to such intercreditor agreement, (4) to further secure the Notes (including Additional Notes permitted to be Incurred in compliance with the Indenture), (5) to make provision for pledges of the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens, (6) to amend such intercreditor agreement in accordance with the terms thereof, (7) to facilitate a merger, consolidation or other corporate group reorganization otherwise permitted by the Indenture, (8) as permitted by the terms of such intercreditor agreement or (9) to make any other change to any such agreement that does not adversely affect the holders of Notes in any material respect. The Company shall not otherwise direct the Trustee to enter into any amendment to any such intercreditor agreement without the consent of the holders of more than 50% in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "— *Amendments and Waiver*" or as permitted by the terms of such intercreditor agreement, and the Company may only direct the Trustee to enter into any amendment

to the extent such amendment does not impose any personal obligations on the Trustee or, in the opinion of the Trustee, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or any such intercreditor agreement.

The Indenture will also provide that each holder, by accepting a note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized and instructed the Trustee to enter into the Intercreditor Agreement and any Additional Intercreditor Agreement (and any amendment, restatement or modification thereto as contemplated above), on each Holder's behalf.

A copy of the Intercreditor Agreement and any Additional Intercreditor Agreement shall be made available to the Holders for inspection during normal business hours on any Business Day upon prior written request at the corporate trust office of the Trustee.

Events of Default

The following events will be defined as "**Events of Default**" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenant described under "— *Consolidation, Merger and Sale of Assets*", the failure by the Company to make or consummate an Offer to Purchase in the manner described under "— *Repurchase of Notes upon a Change of Control Triggering Event*" or "— *Certain Covenants — Limitation on Asset Sales*" or "— *Certain Covenants — Limitation on Liens*";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clauses (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of USD30.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed USD30.0 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary), (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or (c) effects any general assignment for the benefit of creditors;

(9) any security interest under the Security Documents on any Collateral shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the Security Documents, the Intercreditor Agreement (or any Additional Intercreditor Agreement) and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) or the Security Documents or the Company or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable; or

(10) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or will for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clauses (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders, subject to being pre-funded, indemnified and/or secured to its satisfaction, shall declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clauses (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of more than 50% in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premiums and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of more than 50% in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that pre-funding or satisfactory indemnification and/or security is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder has or Holders have provided the Trustee pre-funding, indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;

(4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of the offer of pre-funding, indemnity and/or security pursuant to clause (3) above, whichever occurs later; and

(5) during such 60-day period, the Holders of more than 50% in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment from the Company on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

An Officer of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries' performance under the Indenture, the Security Documents and the Notes and that the Company and each Restricted Subsidiary have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture, the Security Documents and the Notes. See "— *Provision of Financial Statements and Reports*".

Neither the Trustee nor any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing or to monitor or shall be charged with actual or constructive knowledge or deemed with notice with respect to the occurrence of any Event of Default or Default and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Company and the Subsidiary Guarantors are performing all of their obligations under the Indenture, the Security Documents and the Notes unless the Trustee or an Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Company and the Subsidiary Guarantors are not performing all of their obligations under the Indenture, the Security Documents and/or the Notes.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and the Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "**Surviving Person**") shall be a company incorporated and validly existing under the laws of the British Virgin Islands, the Cayman Islands or Hong Kong and shall expressly assume, by (a) a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes (including pursuant the Security Documents), including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or from or through which payment is made, and the Indenture and the Notes, shall remain in full force and effect, and (b) amendment agreements, accession agreements or other customary documentation in respect of the Security Documents, executed and delivered to the Trustee and the Security Agent, as applicable, and the Security Documents, are in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, could Incur at least USD1.00 of Indebtedness under proviso (b) of paragraph (1) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*";

(5) the Company shall deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture (and any documentation in respect of the Security Documents) complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under "— *Consolidation, Merger and Sale of Assets*", shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Subsidiary Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless each of the following conditions is met:

(1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction in accordance with the Indenture by a supplemental indenture to the Indenture, executed and delivered to the Trustee;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least USD1.00 of Indebtedness under proviso (b) of paragraph (1) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*";

(5) the Company shall deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "— *Certain Covenants — Limitation on Asset Sales*" covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "— *The Subsidiary Guarantees — Release of the Subsidiary Guarantees*".

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger. The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company or the Subsidiary Guarantors that may adversely affect Holders.

No Payments for Consents

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, subject to applicable law, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with a tender offer or an exchange offer, the Company may exclude or modify the offer or payment to: (i) holders or beneficial owners of the Notes that are believed by the Company to be US persons as defined in Regulation S of the Securities Act and not institutional "accredited investors" as defined in sub-paragraphs (a)(1), (a)(2), (a)(3) or (a)(7) of Rule 501 under the Securities Act, and (ii) holders or beneficial owners of the Notes in any jurisdiction, in either case where the inclusion of such holders or beneficial owners would, without such modification if applicable, require the Company to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion and the Trustee shall not have any responsibility or liability for such determination by the Company.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited with the Trustee (or its agent), in trust, cash in US dollars, US Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) has delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive Lien over such trust;

(2) the Company has delivered to the Trustee (a) either (i) an Opinion of Counsel of recognized standing with respect to US federal income tax matters that is based on a change in applicable US federal income tax law occurring after the Original Issue Date to the effect that the beneficial owners will not recognize income, gain or loss for US federal income tax purposes as a result of the Company's exercise of its option under this "*Defeasance and Discharge*" provision and will be subject to US federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred or (ii) a ruling directed to the Company or Trustee received from the US Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (b) an Opinion of Counsel of recognized standing to the effect that the creation of the defeasance trust does not violate the US Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(3) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and

(4) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of the Restricted Subsidiaries is a party or by which the Company or any of the Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture will further provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4) and (5)(x) under the first and second paragraphs under "— *Consolidation, Merger and Sale of Assets*" and all the covenants described herein under "— *Certain Covenants*", other than as described under "— *Certain Covenants — Government Approvals and Licenses; Compliance with Law*", and (ii) clause (3) under "*Events of Default*" with respect to such clauses (3), (4) and (5)(x) under the first and second paragraphs under "— *Consolidation, Merger and Sale of Assets*" and with respect to such other events set forth in clause (i) above, clause (4) under "— *Events of Default*" with respect to such other covenants set forth in clause (i) above and clauses (5), (6), (7), (8), (9) and (10) under "— *Events of Default*" (except for, with respect to clauses (7) and (8), the Company) shall be deemed not to be Events of Default, upon, among other things, the deposit with the Trustee (or its agent), in trust, of cash in US dollars, US Government Obligations or a combination thereof that through the payment of interest, premium (if any) and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2)(b) of the preceding paragraph under "— *Defeasance and Discharge*" and the delivery by the Company to the Trustee of an Opinion of Counsel of recognized standing with respect to US federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for US federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to US federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in US dollars and/or US Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, the Security Documents, the Intercreditor Agreement and/or any Additional Intercreditor Agreement may be amended, without the consent of any Holder:

(1) to cure any ambiguity, defect, omission or inconsistency;

(2) to comply with the provisions described under "— *Consolidation, Merger and Sale of Assets*";

(3) to evidence and provide for the acceptance of appointment by a successor Trustee or Security Agent;

(4) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(5) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(6) to effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;

(7) to add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

(8) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees;

(9) to add any additional collateral to secure the Notes or any Subsidiary Guarantee;

(10) to make any other change that does not materially and adversely affect the rights of any Holder; or

(11) as provided in "— *Certain Covenants — Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements*".

Amendments with Consent of Holders

Subject to certain exceptions, amendments of the Indenture, the Notes, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of more than 50% in aggregate principal amount of the then outstanding Notes, and the Holders of more than 50% in principal amount of the then outstanding Notes may waive future compliance by the Company with any provision of the Indenture or the Notes; **provided, however, that** no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) release any Subsidiary Guarantor from its Subsidiary Guarantee or the security interests granted for the benefit of the Holders of the Notes in the Collateral, in each case, except as provided in the Indenture or the Security Documents and except as permitted by the Intercreditor Agreement (or any Additional Intercreditor Agreement);

(9) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;

(10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale;

(11) change the redemption date or the redemption price of the Notes from that stated under "— *Optional Redemption*" or "— *Redemption for Taxation Reasons*";

(12) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indenture or the related definition, the Intercreditor Agreement (or any Additional Intercreditor Agreement) or the Security Documents affecting the ranking of the Notes, any Subsidiary Guarantee or the Collateral in a manner which adversely affects the Holders.

Prescription

Claims against the Company and the Subsidiary Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Company and the Subsidiary for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any Subsidiary Guarantor in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Subsidiary Guarantor or of any successor Person thereof.

Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and the Agents

The Hongkong and Shanghai Banking Corporation Limited is to be appointed as the Trustee under the Indenture, and The Hongkong and Shanghai Banking Corporation Limited is to be appointed as the paying agent (the "**Paying Agent**") and transfer agent (the "**Transfer Agent**") with regard to the Notes and as registrar (the "**Registrar**" and together with the Paying Agent and Transfer Agent, the "**Agents**") under the Indenture. Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture or the Notes, and no implied covenant or obligation shall be read into the Indenture or the Notes, against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; **provided, however, that** if it becomes aware it has acquired any conflicting interest, it must eliminate such conflict or resign.

The Trustee will not be under any obligation to exercise any rights or powers conferred under the Indenture or the Notes for the benefit of the Holders unless the requisite number of Holders have instructed the Trustee in writing and offered to the Trustee pre-funding, indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Indenture and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment under the Indenture or in respect of the Notes or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Company, any Subsidiary Guarantor, any Holder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

Notwithstanding any provision to the contrary in the Notes, the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Indenture, whenever the Trustee is required or entitled by the terms and provisions of the aforesaid documents to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Holders and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages expenses (including, but not limited to, legal fees and expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

The Trustee may rely, without liability to the Holders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to conclusively rely (without liability and without any further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Company, the Subsidiary Guarantors and the Holders.

The Trustee and the Agents will be entitled to be indemnified, secured and/or pre-funded and relieved from responsibility in certain circumstances and to be paid or reimbursed for any liabilities incurred by it in priority to the claims of the Holders.

Each of the Trustee and the Agents is entitled to enter into business transactions with the Company and the Subsidiary Guarantors and any affiliate of the Company and the Subsidiary Guarantors without accounting for any profit.

In connection with the exercise by it of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and in particular, but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Holders (whatever their number) resulting from their being for any purposes domiciled or resident in, or otherwise connected with, or subject to the jurisdiction or, any country, state or territory and a Holder shall not be entitled to require, nor shall any Holder be entitled to claim, from the Company, the Subsidiary Guarantors, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent provided for in the Indenture.

Book-Entry; Delivery and Form

The certificates representing the Notes will be issued in fully registered form without interest coupons. The Notes will initially be represented by one or more permanent global notes in registered form without interest coupons (each a "**Global Note**") and will be deposited with a common depositary, and registered in the name of a common depositary or its nominee, for the accounts of Euroclear and Clearstream.

Each Global Note (and any Notes issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "*Transfer Restrictions*".

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with Euroclear or Clearstream ("**participants**") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear or Clearstream (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Beneficial owners may hold their interests in a Global Note directly through Euroclear or Clearstream if they are participants in such systems, or indirectly through organizations which are participants in such systems.

So long as the common depositary for Euroclear and Clearstream, or its nominee, is the registered owner or holder of a Global Note, the common depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with Euroclear's or Clearstream's applicable procedures, in addition to those provided for under the Indenture.

Payments of the principal of, and interest on, a Global Note will be made to the common depositary for Euroclear and Clearstream or its nominee, as the case may be, as the registered owner thereof. Neither the Company nor any of the Subsidiary Guarantors, the Trustee nor any of the Agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that the common depositary for Euroclear and Clearstream or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of Euroclear and Clearstream. The Company also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

The Company expects that Euroclear and Clearstream will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the Euroclear and Clearstream interests in a Global Note is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued

at any time. None of the Company, any of the Subsidiary Guarantors, the Trustee or the Agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If (1) the common depositary for Euroclear and Clearstream is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor common depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— *Events of Default*" and the Company has received a written request from a Holder, the Company will issue Certificated Notes in registered form, which may bear the legend referred to under "*Transfer Restrictions*", in exchange for the Global Notes. Holders of an interest in a Global Note may receive Certificated Notes, which may bear the legend referred to under "*Transfer Restrictions*".

The Clearing Systems

General

Euroclear and Clearstream have advised the Company as follows:

Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

None of the Company, the Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Initial Settlement

Initial settlement of the Notes will be made in immediately available funds. Investors' interests in Notes held in book-entry form by Euroclear and Clearstream will be represented through financial institutions acting on their behalf as direct and indirect participants in Euroclear and Clearstream, and will follow the settlement procedures applicable to conventional eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear Holders and of Clearstream Holders on the Business Day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor, at the registered office of the Company in Hong Kong (as notified to The Stock Exchange of Hong Kong Limited); if intended for the Trustee, at the corporate trust office of the Trustee; and if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Company and each Subsidiary Guarantor will in the Indenture irrevocably submit to the non-exclusive jurisdiction of any US federal or New York state court located in the Borough of Manhattan, The City of New York, New York, in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby. The Indenture will provide that the Company will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture and the Notes brought in any US federal or New York state court located in the Borough of Manhattan, The City of New York, New York.

Governing Law

Each of the Notes, the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without reference to the principles of conflict of laws. The Intercreditor Agreement provides that such instrument will be governed by, and construed in accordance with, the laws of England and Wales. The Security Documents will be governed by, and construed in accordance with, the laws of the PRC, Hong Kong, England and Wales, Australia and New York, as the case may be.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "*Description of the Notes*" for which no definition is provided.

"**Acquired Indebtedness**" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"**Adjusted Treasury Rate**" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within

three (3) months before or after July 24, 2026, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"**Affiliate**" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step child, parent or step parent, brother, sister, step brother or step sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Applicable Premium**" means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the redemption price of such Note at July 24, 2026 (such redemption price being described in the first paragraph in the "*Optional Redemption*" section exclusive of any accrued interest), plus all required remaining scheduled interest payments due on such Note (but excluding accrued and unpaid interest to the redemption date) through July 24, 2026, computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"**Asset Acquisition**" means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"**Asset Disposition**" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"**Asset Sale**" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; **provided that** "Asset Sale" shall not include:

(1) sales, transfers or other dispositions of inventory, receivables and other current assets in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made by the covenant described under "— *Certain Covenants — Limitation on Restricted Payments*";

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of USD1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant described under "— *Consolidation, Merger and Sale of Assets*" or a transaction that constitutes a Change of Control;

(7) sales or other dispositions of cash or of Temporary Cash Investments;

(8) a sale, transfer or other disposition to the Company or a Restricted Subsidiary, including, without limitation, an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(9) licenses, sub-licenses, leases or subleases of tangible property, in each case, in the ordinary course of business;

(10) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(11) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(12) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(13) an issuance or sale by a Restricted Subsidiary of Preferred Stock that is permitted by the covenant described above under "— *Certain Covenants — Limitation on Indebtedness*"; and

(14) sales, transfers or other dispositions of Investments in joint ventures that are not Restricted Subsidiaries entered into prior to the Original Issue Date to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; **provided that** any cash or Temporary Cash Investments received in such sale, transfer or disposition is applied in accordance with the "— *Certain Covenants — Limitation on Asset Sales*" covenant.

"**Attributable Indebtedness**" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"**Average Life**" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"**Bank Deposit Secured Indebtedness**" means Indebtedness of the Company or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange US dollars or Hong Kong dollars into Renminbi or *vice versa*.

"**Bills Payable Arrangement**" means any facility, instrument, guarantee or other customary arrangement pursuant to which bills payable are issued by financial institutions in the PRC on behalf of a PRC Group Member to support obligations of a PRC Group Member incurred in the ordinary course of day-to-day business.

"**Board of Directors**" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"**Board Resolution**" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"**Business Day**" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London, Singapore or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized or required by law or governmental regulation to close.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"**Capitalized Lease**" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with IFRS, is required to be capitalized on the balance sheet of such Person.

"**Capitalized Lease Obligations**" means the discounted present value of the rental obligations under a Capitalized Lease.

"**CCDC**" means China Central Depository & Clearing Co., Ltd and its successors.

"**Change of Control**" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the direct or indirect sale of all or substantially all the consolidated assets of the Company to another Person (other than one or more Permitted Holders);

(2) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) other than the Permitted Holders is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company (i) equal to or greater than 30.0% or (ii) greater than such total voting power held beneficially by the Permitted Holders;

(3) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election or nomination to the Board of Directors was approved by a vote of at least a majority of the directors then still in office who were either directors on the Original Issue Date or whose election or nomination was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or

(4) the adoption of a plan relating to the liquidation or dissolution of the Company.

"**Change of Control Triggering Event**" means the occurrence of both a Change of Control and, **provided that** the Notes are rated by at least two Rating Agencies, a Rating Decline.

"**Clearstream**" means Clearstream Banking S.A.

"**Commodity Hedging Agreement**" means any commodities swap agreement, commodities cap agreement, commodities floor agreement, commodities futures agreement, commodities option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage commodities prices and commodities price risk.

"**Common Stock**" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"**Comparable Treasury Issue**" means the US Treasury security having a maturity comparable to July 24, 2026 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to July 24, 2026.

"**Comparable Treasury Price**" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Company, Reference Treasury Dealer Quotations for such redemption date.

"**Consolidated EBITDA**" means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); plus

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income; plus

(4) any costs, fees and expenses (including any break costs, unwind or termination costs and/or other costs of a similar nature) and taxes on them or any tender offer(s) and/or consent solicitation(s) fees or expenses and all stamp duty, registration and other similar taxes in connection with any refinancing, replacement or restructuring, in each case, (whether in part or in full) of Indebtedness; plus

(5) any management fees, dividends or royalties payable to the Company or another Restricted Subsidiary,

all as determined on a consolidated basis for such Person and its Subsidiaries (excluding Unrestricted Subsidiaries) in conformity with IFRS; **provided that** (i) if any Restricted Subsidiary is not a Wholly-Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with IFRS) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries, and (ii) in the case of any PRC CJV (consolidated in accordance with IFRS), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with IFRS) by

any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"**Consolidated Fixed Charges**" means, with respect to any Person for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of such Person or any of its Restricted Subsidiaries held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly-Owned Restricted Subsidiary.

"**Consolidated Interest Expense**" means, with respect to any Person for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with IFRS for such period of such Person and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by such Person and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, such Person or any of its Restricted Subsidiaries and (7) any capitalized interest; **provided that** interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"**Consolidated Net Borrowings**" means, the aggregate principal, capital or nominal amount of all borrowings of the Group on a consolidated basis but:

(1) excluding:

(a) any amount due from another Group Member or a related company of the Group or any Shareholder Creditor Liabilities (as defined in the Intercreditor Agreement);

(b) (i) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account; **provided that**, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, only that actual due amount shall be taken into account); (ii) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution (but, in each case, excluding any Trade Instruments) in respect of an underlying liability which would fall within one of the other paragraphs of the definition of Indebtedness; (iii) any Indebtedness arising under a Bills Payable Arrangement; (iv) any Indebtedness issued from time to time by financial institutions on behalf of any Group Member to support obligations of such Group Member incurred in the ordinary course of day-to-day business (including in respect of any landlord arrangements, supply contracts, lease arrangements and/or Group insurance); (v) any vendor financing relating to purchased equipment needed for the ordinary course of the Group's day-to-day business; (vi) any Indebtedness in respect of the Group's credit card arrangements incurred in the ordinary course of the Group's day-to-day business; (vii) any advance deposits taken from customers in the ordinary course

of the Group's trading, to the extent that the same constitute Indebtedness; (viii) any Indebtedness arising as a result of any Deferred Consideration; (ix) any Indebtedness in respect of debit balances of any Group Member at banks or financial institutions arising in the ordinary course of the Group's day-to-day business; or (x) any Indebtedness arising as a result of daylight exposures of any Group Member in respect of banking arrangements entered into in the ordinary course of its treasury activities; **provided that** such exposures are repaid within five Business Days of Incurrence;

(c) any Indebtedness represented by shares (except for shares redeemable mandatorily or (following an election to do so) at the option of the holder prior to the termination date of the Senior Facilities);

(d) all contingent liabilities under a guarantee, indemnity, bond, standby or documentary letter of credit unless the underlying liability covered by such instrument has become due and payable and remains unpaid;

(e) the amount of any liability in respect of post-employment benefit scheme liabilities, pension obligations or severance liabilities of the Group; and

(f) any guarantee in respect of the Indebtedness referred to in any of paragraphs (a) to (e) above or paragraphs (2), (3), (4) or (5) below;

(2) excluding any Indebtedness under any Excluded Finance Leases and including, in the case of Finance Leases only, their capitalized value;

(3) less the aggregate cash and cash equivalents and the amount of any cash collateral supporting or securing any borrowings of any Group Member (unless, in each case, the borrowings they support or secure have already been excluded);

(4) less the amount of any proceeds of any Indebtedness which have been incurred and either applied or are being held in escrow (or equivalent arrangement) for application (and only to the extent thereof) to refinance, redeem or pay Indebtedness that has been included for the purpose of this definition as borrowings of the Group;

(5) excluding any amount in relation to the minority interest(s) line in the balance sheet of any Group Member; and

(6) all other contingent liabilities under a guarantee, indemnity, bond or letter of credit unless the underlying liability covered by such instrument has become due and payable and remains as unpaid and such liability would fall within this definition (excluding any Trade Instruments).

In respect of any Reference Period, the exchange rates for determination of Consolidated Net Borrowings shall be: (A) with respect to borrowings for which the Group has entered into Hedging Obligations pursuant to Currency Hedging Agreements, the exchange rate as adjusted to take into account such Hedging Obligations; and (B) with respect to all other borrowings, the exchange rates as at the end of that Reference Period as determined in accordance with IFRS.

"**Consolidated Net Income**" means, with respect to any Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with IFRS; **provided that** the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

  (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

  (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of the Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of the Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or asset of the Company or any Restricted Subsidiary that is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or of any Restricted Subsidiary);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects;

(7) any net after-tax extraordinary or non-recurring gains including but not limited to those arising from the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring, disposals, revaluations or impairment of non-current assets, and disposals of assets associated with discontinued operations;

(8) any non-cash interest expense and non-cash interest income, in each case to the extent there is no associated cash disbursement or receipt, as the case may be;

(9) any unrealized gains or losses in respect of Hedging Obligations or other derivative instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations or other derivative instruments; and

(10) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions.

"**Consolidated Net Worth**" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of the Restricted Subsidiaries, each item to be determined in conformity with IFRS.

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

  (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**Credit Facility**" means, with respect to the Company or any Restricted Subsidiary, one or more credit facilities, debt facilities, loan agreements, indentures, financing trust deeds, commercial paper facilities, overdraft facilities, note purchase agreements or other financing arrangements (including, without limitation, the Syndicated Facilities Agreements), in each case with banks, lenders, purchasers, funds, investors, trustees, agents or other representatives of any of the foregoing, providing for revolving credit loans, term loans, capital market financings, securitizations or receivable financings (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, capital leases, letters of credit or other borrowings or other extensions of credit, including convertible or exchangeable debt instruments, any related notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, replacements, renewals, restatements, refundings, restructurings, increases or refinancings thereof in whole or in part from time to time, including any replacement, refunding or refinancing facility, agreement or indenture that increases the amount borrowable or issuable thereunder or alters the maturity thereof or adds entities as additional borrowers, issuers or guarantors thereunder or otherwise alters the terms and conditions thereof and whether by the same or any other agent, lender, group of lenders or otherwise.

"**Currency Hedging Agreement**" means any currency swap agreement, currency cap agreement, currency floor agreement, currency futures agreement, commodity option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage currencies and currency risk.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**Deferred Consideration**" means any earn out or post-closing purchase price adjustment or any other arrangement (including any vendor loans or notes) entered into in connection with any acquisition whereby any payment in connection with such acquisition is deferred for at least 12 months from the relevant closing date.

"**Disqualified Stock**" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; **provided that** any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "*— Limitation on Asset Sales*" and "*— Repurchase of Notes upon a Change of Control Triggering Event*" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the covenants described under "*— Certain Covenants — Limitation on Asset Sales*" and "*— Repurchase of Notes upon a Change of Control Triggering Event*".

"**Dollar Equivalent**" means, with respect to any monetary amount in a currency other than US dollars, at any time for the determination thereof, the amount of US dollars obtained by converting such foreign currency involved in such computation into US dollars at the noon buying rate for US dollars in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

"**Equity Offering**" means a public or private sale by the Company of Common Stock (other than Disqualified Stock) of the Company.

"**Euroclear**" means Euroclear Bank SA/NV.

"**Exchange Act**" means the US Securities Exchange Act of 1934, as amended.

"**Excluded Finance Leases**" means any lease or hire purchase contract which would, in accordance with IFRS in force as at June 21, 2018, have been treated as an operating lease.

"**Extended Letters of Credit**" means letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations incurred by the Company or any of its Restricted Subsidiaries in the ordinary course of business or in respect of any governmental requirement; which, upon drawing, are to be reimbursed after 30 days but no more than 90 days following such drawing and such obligations will not exceed USD10.0 million (or the Dollar Equivalent thereof) in total at any one time outstanding.

"**Fair Market Value**" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"**Family Members**" means, in relation to any natural Person, such Person, his or her parents, brothers, sisters and lineal descendants, and any trust or other similar entity established for the sole benefit of or the sole beneficial owner(s) of which (directly or indirectly) are any or all of the foregoing, any of their respective lineal descendants, estate or any executor of their respective estate, and/or (in the case of any such trust or similar entity) any trustee in bankruptcy or similar officer in respect of any such trust or such other similar entity.

"**Finance Leases**" means any lease or hire purchase contract which would, in accordance with IFRS in force as at June 21, 2018, have been treated as a finance or capital lease (other than an Excluded Finance Lease).

"**Financing Subsidiary**" means a direct Wholly-Owned Subsidiary of the Company that is a Subsidiary Guarantor and is formed for the purpose of borrowing funds or issuing securities and lending the proceeds to the Company and that conducts no business other than as may be reasonably incidental to, or related to, the foregoing.

"**Fixed Charge Coverage Ratio**" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company are available (which may be internal consolidated financial statements) (the "**Four Quarter Period**") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) *pro forma* effect shall be given to any Indebtedness Incurred, repaid or redeemed during the period (the "**Reference Period**") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period; **provided that**, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Hedging Agreement applicable to such Indebtedness if such Interest Rate Hedging Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"**Group**" means the Company and each of its Subsidiaries for the time being, and each a "**Group Member**".

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); **provided that** the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Hedging Obligation**" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

"**Holder**" means, the Person in whose name a Note is registered in the Note register.

"**Holding Company**" means, in relation to any Person, any Person in respect of which it is a Subsidiary.

"**IFRS**" means International Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with IFRS applied on a consistent basis.

"**Incur**" means, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness; **provided that** (1) any Indebtedness and Disqualified Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence", "Incurred" and "Incurring" have meanings correlative with the foregoing.

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; **provided that** the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and

(10) any Preferred Stock issued by (a) such Person, if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; **provided** (a) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with IFRS and (b) that the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to clause (2)(f) under the "*Limitation on Indebtedness*" covenant or (ii) equal to the net amount payable by such Person if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(a) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to pre-fund the payment of the interest on such Indebtedness *provided* such money is held to secure the payment of such interest;

(b) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Original Issue Date;

(c) prepayments of deposits received from clients or customers in the ordinary course of business;

(d) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Original Issue Date or in the ordinary course of business; and

(e) Contingent Obligations Incurred in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due.

"**Independent Financial Advisor**" means an accounting, appraisal or investment banking firm of international standing; **provided, however, that** such firm is not an Affiliate of the Company.

"**Independent Third Party**" means any Person that is not an Affiliate of the Company.

"**Intercreditor Agreement**" means the intercreditor agreement originally dated August 9, 2018, as may be amended from time to time (including as amended and restated on September 13, 2018 and as most recently amended on June 26, 2023), entered into among (*inter alia*) the Company, Biostime Healthy Australia Investment Pty Ltd, the subsidiaries of the Company named as original debtors thereunder and the Security Agent.

"**Interest Rate Hedging Agreement**" means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate future contract, interest rate option agreement or any other similar agreement or arrangement which may consist of one or more of any of the foregoing agreements, designed to manage interest rates and interest rate risk.

"**Investment**" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the covenants described under "— *Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*" and "— *Certain Covenants — Limitation on Restricted Payments*": (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportionate interest in the assets (net of the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation; (2) if the Company or any Restricted Subsidiary sells or otherwise disposes of any Investment of any Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Restricted Subsidiary is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of such sale or disposition equal to the Fair Market Value of the Investments in such former Restricted Subsidiary that were not sold or disposed of; (3) the acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person; and (4) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"**Investment Grade**" means a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "–" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, or a rating of "Aaa", "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody's.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"**Measurement Date**" means June 21, 2016.

"**Minority Interest Staged Acquisition Agreement**" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (1) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (2) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Net Cash Proceeds**" means:

(1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

    (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;

    (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

    (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with IFRS and reflected in an Officers' Certificate delivered to the Trustee; and

(2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Net Leverage Ratio**" means, on any Transaction Date, the ratio of (1) Consolidated Net Borrowings for the then most recent Four Quarter Period to (2) Consolidated EBITDA during such Four Quarter Period, in each case with such pro forma adjustments as are appropriate and consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio".

"**Offer to Purchase**" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "**Offer to Purchase Payment Date**");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "*Option of the Holder to Elect Purchase*" on the reverse side of the Note completed, to a tender agent appointed by the Company (the "**Tender Agent**") at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; **provided that** each Note purchased and each new Note issued shall be in a principal amount of USD200,000 or any amount in excess thereof which is an integral multiple of USD1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase and (b) deliver, or cause to be delivered, to the Tender Agent all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and upon receipt of written order of the Company signed by an Officer, the Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; **provided that** each Note purchased and each new Note issued shall be in a principal amount of USD200,000 or any amount in excess thereof which is an integral multiple of USD1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"**Officer**" means one of the executive officers of the Company or, in the case of a Restricted Subsidiary, one of the directors or officers of such Restricted Subsidiary.

"**Officers' Certificate**" means a certificate signed by two Officers; provided, however, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

"**Opinion of Counsel**" means a written opinion from legal counsel, which is in form and substance reasonably acceptable to the Trustee.

"**Original Issue Date**" means the date on which the Notes are originally issued under the Indenture.

"**Payment Default**" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under "*— Repurchase of Notes upon a Change of Control Triggering Event*", or an Offer to Purchase in the manner described under "*— Certain Covenants — Limitation on Asset Sales*" or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

"**Permitted Businesses**" means any business, service or activity which is the same as or otherwise related, ancillary, complementary, incidental or similar to any of the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date.

"**Permitted Collateral Liens**" means Liens:

(1) with respect to the Collateral, that are "Permitted Liens" described in one or more of clauses (1), (2), (3), (4), (7), (23), (24), (26), (28), (29), (30) or (31) of the definition thereof;

(2) with respect to the Collateral, to secure Indebtedness or other obligations of the Company or a Subsidiary Guarantor that are permitted to be Incurred under clauses (2)(a) (other than any Additional Notes), (2)(c), (2)(f), (2)(j)(i) and (iv), (2)(k) (other than with respect to Capitalized Lease Obligations), (2)(m) (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens) and (2)(o) of the covenant described under "*— Certain Covenants — Limitation on Indebtedness*" and any Permitted Refinancing Indebtedness in respect of such Indebtedness; and

(3) with respect to Collateral to secure Indebtedness incurred under clause (1) described under "*— Certain Covenants — Limitation on Indebtedness*" and any Permitted Refinancing Indebtedness in respect of such Indebtedness;

provided that the secured parties (whether acting directly or through a respective creditor representative) to any Indebtedness referred to in clause (2) or (3) above, or any Refinancing Indebtedness thereof which, in each case is secured by Liens on the Collateral, will enter into the Intercreditor Agreement (or an Additional Intercreditor Agreement) to the extent required therein.

"**Permitted Holders**" means each of Mr. Luo Fei and Mr. Luo Yun and their respective Family Members.

"**Permitted Investment**" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) cash or Temporary Cash Investments;

(3) payroll, travel, relocation, entertainment and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with IFRS;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed (i) solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates or (ii) to reduce or manage interest expenses;

(7) receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments consisting of consideration received in connection with an Asset Sale under clause (4)(b) of, and made in compliance with, the covenant described under "— *Certain Covenants — Limitation on Asset Sales*";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens";

(10) loans or advances to vendors, contractors, suppliers or distributors, including advance payments for equipment and machinery made to the manufacturer thereof, of the Company or any Restricted Subsidiary in the ordinary course of business and dischargeable in accordance with customary trade terms;

(11) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Original Issue Date;

(12) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business of the Company or any Restricted Subsidiary;

(13) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(14) Investments, taken together with all other Investments made pursuant to this clause (14) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of USD25.0 million and 0.85% of Total Assets; provided that, if an Investment is made pursuant to this clause (14) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investments" and not this clause;

(15) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "— *Certain Covenants — Limitation on Liens*";

(16) Guarantees of Indebtedness of the Company or its Restricted Subsidiaries permitted to be Incurred by the covenant described under "— *Certain Covenants — Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(17) Investments in the Notes and any Additional Notes; and

(18) Investments, taken together with all other Investments made pursuant to this clause (18) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of USD75.0 million and 2.5% of Total Assets (a) in a joint venture, including any guarantee thereof or loans or letters of credit thereto, that is engaged in a Similar Business or (b) that consists of a minority investment in or loan to an entity engaged in a Similar Business; provided that if an Investment is made pursuant to this clause (18) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary, such Investment, if applicable, shall thereafter be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investments" and not this clause.

"**Permitted Liens**" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) Leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights) granted to others that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;

(5) Liens on property or other assets of, or on shares of Capital Stock of, any Person existing at the time such Person (i) becomes a Restricted Subsidiary or (ii) is merged with or into or consolidated with the Company or any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets of such Person (if such Person becomes a Restricted Subsidiary) or the property or assets acquired by the Company or such Restricted Subsidiary (if such Person is merged with or into or consolidated with the Company or such Restricted Subsidiary); provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(6) Liens in favor of the Company or any Restricted Subsidiary;

(7) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that do not give rise to an Event of Default;

(8) Liens securing reimbursement obligations with respect to letters of credit, performance and surety bonds and completion guarantees that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(9) Liens existing on the Original Issue Date (other than Liens incurred pursuant to clause (21) of this definition);

(10) Liens securing Indebtedness which is Incurred to refinance Secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*", provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) securing the Indebtedness being refinanced; provided further that Liens securing Indebtedness issued in exchange for, or the net proceeds of which are used to refinance, the Notes (including any Additional Notes) in full are permitted to be similar in ranking and scope as the Liens securing the Indebtedness under the Senior Facilities;

(11) Liens securing Hedging Obligations permitted to be Incurred under clause (2)(f) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*", provided that (i) Indebtedness relating to any such Hedging Obligation is, and is permitted under the covenant described under "— *Certain Covenants — Limitation on Indebtedness*" to be, secured by a Lien on the same property securing such Hedging Obligation or (ii) such Liens are encumbering customary initial deposits or margin deposits or are otherwise within the general parameters customary in the industry and incurred in the ordinary course of business or (iii) such Liens secure obligations set forth under Interest Rate Hedging Agreements designed to reduce or manage interest expenses;

(12) Liens securing Attributable Indebtedness that is permitted to be Incurred under the Indenture;

(13) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing any Capitalized Lease Obligation or purchase money Indebtedness permitted to be Incurred under clause (2)(k) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*"; provided, however, that the Liens do not extend to any property or assets which is not subject to such Capitalized Lease Obligation or purchase money Indebtedness;

(14) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(17) Liens on deposits securing letters of credit (and reimbursement obligations relating thereto) incurred in the ordinary course;

(18) Liens securing Indebtedness Incurred pursuant to clause (2)(k) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*"; provided that such Lien (i) covers only the equipment, property or assets acquired, developed, constructed or improved with such Indebtedness and (ii) is created within 180 days of such acquisition, development, construction or improvement;

(19) (i) Liens securing Indebtedness Incurred pursuant to clause (2)(n) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*" or (ii) Liens on assets owned by a PRC Restricted Subsidiary securing Indebtedness of a PRC Restricted Subsidiary of the type described under clause (2)(n) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*"; provided, in each case, that (a) such Lien is created prior to, at the time of or within 30 days after entering into the agreement underlying such Indebtedness and (b) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which have been delivered to the Trustee) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (19) does not exceed 130.0% of the aggregate principal amount or aggregate committed amount of Indebtedness secured by such Liens;

(20) Liens Incurred on deposits made to secure Bank Deposit Secured Indebtedness Incurred pursuant to clause (2)(p) of "— *Certain Covenants — Limitation on Indebtedness*" covenant;

(21) Liens securing Indebtedness (excluding, for the avoidance of doubt, Public Indebtedness other than that issued by the Company or any Restricted Subsidiary in the domestic market in the PRC, or that is settled or cleared through CCDC, in each case which is not secured by Liens on the Collateral that secure the Notes and whose proceeds are used to refinance the Notes or the Indebtedness under the Senior Facilities) Incurred pursuant to clause (2)(c) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*";

(22) Liens on proceeds loans made by a Financing Subsidiary to the Company to secure Indebtedness of such Financing Subsidiary permitted to be Incurred in accordance with covenant described under "*Certain Covenants — Limitation on Indebtedness*";

(23) Liens securing Indebtedness Incurred pursuant to clause (1) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*";

(24) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(25) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(26) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(27) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(28) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(29) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(30) Liens incurred in connection with any customary cash management or pooling program established in the ordinary course of business; provided that only the Company and its Restricted Subsidiaries may be the borrower under any Indebtedness created under such cash management or pooling programs;

(31) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(32) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(33) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(34) Liens created for the benefit of or to secure, directly or indirectly, the Notes;

(35) Liens on Capital Stock of the Person that is to be acquired under the relevant Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(s) of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*"; and

(36) Liens; provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (36) does not exceed USD15.0 million.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**PRC**" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

"**PRC CJV**" means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Foreign Investment Law of the People's Republic of China adopted on January 1, 2020 and the Detailed Rules for the Implementation of the Foreign Investment Law of the People's Republic of China adopted on January 1, 2020, as such laws and regulations may be amended from time to time.

"**PRC CJV Partner**" means, with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"**PRC Group Member**" means any Group Member which is incorporated in the PRC.

"**PRC Restricted Subsidiary**" means a Restricted Subsidiary organized under the laws of the PRC.

"**Preferred Stock**" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Public Indebtedness**" means any bonds, debentures, notes or similar debt securities (or proceeds loans in respect thereof) issued in a public offering or a private placement (other than the Notes) to institutional investors.

"**Rating Agencies**" means S&P and Moody's; **provided that** if S&P or Moody's shall not make a rating of the Notes publicly available, one or more nationally recognized statistical rating organizations (as defined in Section 3(a)(62) under the Exchange Act), as the case may be, selected by the Company, which shall be substituted for S&P or Moody's.

"**Rating Category**" means (1) with respect to S&P, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba", "B", "Caa", "Ca", "C" and "D" (or equivalent successor categories); and (3) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "–" for S&P and "1", "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB", as well as from "BB–" to "B+", will constitute a decrease of one gradation).

"**Rating Date**" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under "*— Consolidation, Merger and Sale of Assets*", that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"**Rating Decline**" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under "*— Consolidation, Merger and Sale of Assets*", the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by both Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any one of the two Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by one, and only one, of the two Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated by one or more Rating Agencies and are rated below Investment Grade by such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"**Reference Treasury Dealer**" means each of any three investment banks of recognized standing that is a primary US Government securities dealer in The City of New York, selected by the Company in good faith.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

"**Restricted Subsidiary**" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"**SEC**" means the US Securities and Exchange Commission.

"**Securities Act**" means the US Securities Act of 1933, as amended.

"**Security Agent**" means The Hongkong and Shanghai Banking Corporation Limited in its capacity as common security agent under the Intercreditor Agreement.

"**Security Documents**" means:

(1) the debenture dated April 24, 2016 between the Company and The Hongkong and Shanghai Banking Corporation Limited creating a floating charge over all of its assets (other than any assets located in the PRC or Capital Stock of subsidiaries);

(2) the share charge dated April 24, 2016 between the Company and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Biostime Healthy (BVI) Limited;

(3) the share charge dated April 24, 2016 between the Company and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Biostime International Investment Limited;

(4) the general security deed dated April 24, 2016 between Biostime Healthy Australia Holdings Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging all or substantially all of its assets;

(5) the share security deed dated April 24, 2016 between Biostime Healthy Australia Holdings Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Biostime Healthy Australia Investment Pty Ltd;

(6) the general security deed dated April 24, 2016 between Biostime Healthy Australia Investment Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging all or substantially all of its assets;

(7) the share security deed dated April 24, 2016 between Biostime Healthy Australia Investment Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Swisse Wellness Group Pty Ltd;

(8) the debenture dated April 24, 2016 between Biostime Healthy (BVI) Ltd and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially of its assets;

(9) the share charge dated April 24, 2016 between Biostime Healthy (BVI) Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Biostime Healthy (Cayman) Limited;

(10) the debenture dated April 24, 2016 between Biostime Healthy (Cayman) Ltd and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially of its assets;

(11) the share charge dated April 24, 2016 between Biostime Healthy (Cayman) Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Biostime Healthy II (BVI) Limited;

(12) the debenture dated April 24, 2016 between Biostime Healthy II (BVI) Ltd and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially of its assets;

(13) the share charge dated April 24, 2016 between Biostime Healthy II (BVI) Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Biostime Healthy Hong Kong Limited;

(14) the debenture dated April 24, 2016 between Biostime Healthy Hong Kong Limited and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially of its assets;

(15) the share security deed dated April 24, 2016 between Biostime Healthy Hong Kong Limited and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Biostime Healthy Australia Pty Ltd;

(16) the debenture dated April 24, 2016 between Biostime Healthy Australia Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially of its assets;

(17) the share security deed dated April 24, 2016 between Biostime Healthy Australia Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Biostime Healthy Australia Holdings Pty Ltd;

(18) the share security deed dated May 12, 2016 between Swisse Wellness Group Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of SWG Holdco Pty Ltd;

(19) the share security deed dated May 12, 2016 between SWG Holdco Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Swisse Wellness Group Pty Ltd;

(20) the general security deed dated July 12, 2017 between Swisse Wellness Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially of its assets;

(21) the general security deed dated August 9, 2018 between Swisse Wellness Group Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially of its assets;

(22) the general security deed dated August 9, 2018 between SWG Holdco Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially of its assets;

(23) the debenture dated September 27, 2019 between Swisse China Limited and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially of its assets;

(24) the share charge dated September 27, 2019 between S W International Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Swisse China Limited;

(25) the pledge agreement dated November 17, 2021 between Health and Happiness (H&H) US Holdings Inc. and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of membership interests of Health and Happiness (H&H) US LLC (formerly known as Zesty Paws, LLC);

(26) the security agreement dated August 8, 2022 between Health and Happiness (H&H) US Holdings Inc. and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially all of its assets;

(27) the security agreement dated August 8, 2022 between Health and Happiness (H&H) US International Incorporated and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially all of its assets and pledging 100% of shares of Health and Happiness (H&H) US Holdings Inc.;

(28) the pledge agreement dated August 8, 2022 between Health and Happiness (H&H) UK Limited and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Health and Happiness (H&H) US International Incorporated;

(29) the debenture dated August 8, 2022 between Health and Happiness (H&H) UK Limited and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially all of its assets;

(30) the share charge dated August 8, 2022 between Health and Happiness (H&H) Hong Kong Limited and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Health and Happiness (H&H) UK Limited;

(31) the debenture dated August 8, 2022 between Health and Happiness (H&H) Hong Kong Limited and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially all of its assets;

(32) the share charge dated August 8, 2022 between Biostime International Investment Limited and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Health and Happiness (H&H) Hong Kong Limited;

(33) the debenture dated August 8, 2022 between Biostime International Investment Limited and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially all of its assets;

(34) the security agreement dated August 8, 2022 between Health and Happiness (H&H) US LLC (formerly known as Zesty Paws, LLC) and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially all of its assets;

(35) the share security deed dated June 26, 2023 between SWG Holdco Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares in S W International Pty Ltd;

(36) the general security deed dated June 26, 2023 between S W International Pty Ltd and The Hongkong and Shanghai Banking Corporation Limited creating securities over all or substantially of its assets;

(37) the equity pledge agreement dated November 27, 2024 between Health and Happiness (H&H) International Holdings Limited, Health and Happiness (H&H) China Limited and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Health and Happiness (H&H) China Limited; and

(38) the equity pledge agreement dated November 27, 2024 between Health and Happiness (H&H) International Holdings Limited, Biostime (Guangzhou) Health Products Limited and The Hongkong and Shanghai Banking Corporation Limited pledging 100% of shares of Biostime (Guangzhou) Health Products Limited.

"**Senior Facilities**" means the senior secured facility(ies) and the senior secured revolving facility(ies) made available pursuant to the Syndicated Facilities Agreements.

"**Senior Indebtedness**" means, whether outstanding on the Original Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Company or any Restricted Subsidiary, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or such Restricted Subsidiary at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; **provided, however, that** Senior Indebtedness will not include:

(1) any Indebtedness Incurred in violation of the Indenture;

(2) any obligation of the Company or any Subsidiary Guarantor to the Company or any Restricted Subsidiary;

(3) any liability for taxes owed or owing by the Company or any Restricted Subsidiary;

(4) any account payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(5) any Indebtedness, guarantee or obligation of any Subsidiary Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, guarantee or obligation of such Subsidiary Guarantor; or

(6) any Capital Stock.

"**Shareholder Affiliate**" means any Person (or any Affiliate of such Person) that holds or beneficially owns 10.0% or more any of any class of Capital Stock of the Company.

"**Shareholder Creditor Liabilities**" has the meaning given to such term in the Intercreditor Agreement.

"**Significant Restricted Subsidiary**" means any Restricted Subsidiary that would be a "significant subsidiary" using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5%.

"**Similar Business**" means any business, service or activity that is the same as or ancillary or complementary to any of the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date.

"**Stated Maturity**" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"**Subordinated Indebtedness**" means any Indebtedness of the Company or any Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes or to any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"**Subsidiary**" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or

indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with IFRS; **provided, however, that** with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the IFRS and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of "*Designation of Restricted and Unrestricted Subsidiaries*" covenant.

"**Subsidiary Guarantee**" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"**Subsidiary Guarantor**" means the initial Subsidiary Guarantors named herein and any other Restricted Subsidiary that Guarantees the obligations of the Company under the Indenture and the Notes; **provided that** "Subsidiary Guarantor" does not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

"**Syndicated Facilities Agreements**" means (i) a syndicated facilities agreement, dated August 30, 2024, entered into among, *inter alia*, each of the Company, Biostime Healthy Australia Investment Pty Ltd and Health and Happiness (H&H) US International Incorporated as borrowers, certain subsidiaries of the Company as guarantors, The Hongkong and Shanghai Banking Corporation Limited as agent and security agent, certain financial institutions named therein as arrangers, certain financial institutions named therein as the original lenders and (ii) a syndicated facilities agreement, dated June 27, 2024, entered into among, inter alia, the Company, as borrower, certain subsidiaries of the Company as guarantors, China Construction Bank (Asia) Corporation Limited as agent, The Hongkong and Shanghai Banking Corporation Limited as security agent, certain financial institutions named therein as arrangers, certain financial institutions named therein as the original lenders and such other banks and lenders that are or shall become parties thereto, and in the case of both (i) and (ii) as may be amended, restated, supplemented, modified, upsized, renewed, refunded, replaced and/or refinanced (whether upon or after termination or otherwise) in whole or in part from time to time.

"**Temporary Cash Investment**" means any of the following:

(1) direct obligations of the United States of America, Australia, Canada, any state of the European Union, Hong Kong, Singapore, the PRC or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, Australia, Canada, any state of the European Economic Area, Hong Kong, Singapore, the PRC or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Union, shall be rated at least "A" by S&P or Moody's;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof, Australia, Canada, any state of the European Union, Hong Kong, Singapore or the PRC and which bank or trust company has capital, surplus and undivided profits aggregating in excess of USD100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;

(6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) China Merchants Bank, China Everbright Bank, China Construction Bank, Agricultural Bank of China, The Bank of East Asia, Industrial and Commercial Bank of China, China CITIC Bank, Bank of China, Bank of Communications, The Hongkong and Shanghai Banking Corporation Limited, Ping An Bank, Industrial Bank Co., Ltd., China Minsheng Bank, Société Générale, Australia and New Zealand Banking Group Limited, Bank of Nanjing, National Australia Bank, Shanghai Pudong Development Bank, Goldman Sachs, JP Morgan Chase, Rabobank, CIBC, Standard Chartered Bank and Fifth Third Bank, (ii) any other bank, trust company or other financial institutions organized under the laws of the United States of America, any state thereof, the PRC, Hong Kong or Australia whose long-term debt is rated as high or higher than any of those banks listed in clause (i) of this paragraph or (iii) any other bank or other financial institutions organized under the laws of the United States of America, any state thereof, the PRC, Hong Kong or Australia; **provided that**, in the case of clause (iii), such deposits do not exceed USD10.0 million (or the Dollar Equivalent thereof) with any single bank or USD30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter; and

(8) any corporate debt securities which, at the time of the investment in such corporate debt securities, are rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) under the Exchange Act).

"**Total Assets**" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with IFRS as of the last date of the most recent fiscal quarter for which consolidated financial statements of the Company have been delivered to the Trustee and are publicly available; **provided that** only with respect to clause (2)(k)(ii) of the "*— Certain Covenants — Limitation on Indebtedness*" covenant, Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all the equipment, property or assets the acquisition, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness.

"**Trade Instruments**" means any performance bonds, advance payment bonds or documentary letters of credit issued in respect of the obligations of any Group Member arising in the ordinary course of day-to-day business of that Group Member.

"**Trade Payables**" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"**Transaction Date**" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"**Treasury Transaction**" means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

"**Uniform Commercial Code**" means the New York Uniform Commercial Code.

"**Unrestricted Subsidiary**" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (2) any Subsidiary of an Unrestricted Subsidiary.

"**US Government Obligations**" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such US Government Obligation or a specific payment of interest on or principal of any such US Government Obligation held by such custodian for the account of the holder of a depository receipt; **provided that** (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the US Government Obligation or the specific payment of interest on or principal of the US Government Obligation evidenced by such depository receipt.

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"**Wholly Owned**" means, with respect to any Restricted Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law or regulation) by the Company or one or more Wholly Owned Subsidiaries of the Company; **provided that** Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Restricted Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAX CONSIDERATIONS

The following summary of certain Hong Kong, PRC, Cayman Islands, BVI, Australia and U.S. federal tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change, possibly with retroactive effect. This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Notes.

Hong Kong

The following summary of certain Hong Kong tax consequences of the purchase, ownership and disposition of the Notes is based upon laws, regulations, decisions and practice now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisers concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

Withholding Tax

Under current Hong Kong legislation, no tax in Hong Kong is required to be withheld from or chargeable on payments of principal or interest in respect of the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112 of the Law of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Notes is not subject to Hong Kong profits tax except under the following circumstances:

(a) interest on the Notes derived from Hong Kong is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong;

(b) interest on the Notes derived from Hong Kong is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(c) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) interest on the Notes is received by or accrues to a corporation (other than a financial institution) and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums derived from the sale, disposal or redemption of Notes (other than capital gains) will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of, including where such activities were undertaken.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to profits tax.

Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal and redemption of Notes will be subject to profits tax.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112 of the Law of Hong Kong) (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced income accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and chargeable to profits tax when it is received in Hong Kong.

In certain circumstances, Hong Kong profits tax exemptions may be available to certain qualifying investors. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual positions.

Stamp Duty

No stamp duty is payable on the issue of the Notes.

Stamp duty may be payable on any transfer of the Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of the Notes **provided that** either:

(a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of the Notes it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Notes if the relevant transfer is required to be registered in Hong Kong.

The People's Republic of China

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of China for PRC tax purposes. The summary is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase,

own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the PRC EIT Law《中華人民共和國企業所得税法》, which was promulgated on 16 March 2007 and latest amended on 29 December 2018, the income tax for both domestic and foreign-invested enterprises is at a uniform rate of 25%. The EIT Rules were promulgated on 6 December 2007 and came into effect on 1 January 2008 and last amended on 23 April 2019, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the PRC EIT Law and they shall pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside the PRC. The EIT Rules define the location of the "de facto management body" as an "organizational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise". If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Company is within the territory of the PRC, the Company may be held to be a PRC tax resident enterprise for the purpose of the PRC EIT Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside the PRC. As confirmed by the Company, as at the date of this offering memorandum, the Company has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the PRC EIT Law. On that basis, holders of the Notes will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon.

However, the tax resident status of the Company is subject to determination by relevant PRC tax authorities and uncertainties remain with respect to their interpretation of the term "de facto management body" as applicable to the Company and there is no assurance that the Company will not be treated as a PRC tax resident enterprise under the PRC EIT Law and related implementation regulations in the future. If the Company is treated as a PRC tax resident enterprise, the interest payable by the Company may be considered as income sourced inside the PRC. Pursuant to the PRC EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC may be subject to enterprise income tax at the rate of 10% on the passive incomes, including interest payable sourced inside the PRC, unless a lower tax treaty rate applies. Similarly, pursuant to the PRC Individual Income Tax Law《中華人民共和國個人所得税法》which was amended on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations, any non-resident individual Noteholders may be subject to individual income tax at the rate of 20% on the interest payable, which may be further decreased by an applicable tax treaty. Such income tax shall be withheld at source by the PRC entity making payment, who shall be obliged to withhold the tax amount from each payment or payment due. Accordingly, in the event the Company is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Company shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC enterprise and individual Noteholders. However, notwithstanding the potential withholding of PRC tax by the Company, the Company has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the section titled "*Description of the Notes*".

Non-PRC Noteholders will not be subject to PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside China between non-PRC Noteholders, except, however, if the Company is treated as a PRC tax resident enterprise under the PRC EIT Law and related implementation regulations in the future, any gain realized by the non-PRC enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% of PRC withholding tax unless decreased or exempted by an applicable tax treaty. Further, similarly, if any gain realized by the non-PRC individual Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC, non-PRC individual Noteholders may be subject to individual income tax at the rate of 20% on the capital gains, which may be decreased or exempted by an applicable tax treaty.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner《關於全面推開營業税改徵增值税試點的通知》("**Circular 36**"), which was promulgated on 23 March 2016 and came into effect on 1 May 2016, VAT is applicable where the entities or individuals provide financial services such as providing the loans within the PRC. It is further clarified under Circular 36 that the loans refer to the activity of lending capital for another's use and receiving the interest income thereon. In the event that the Company is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities and the issuance of Notes is treated as the Noteholders providing the loans to the Company, the Noteholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Company to any non-PRC Noteholders may be subject to applicable withholding VAT and related surtaxes.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

Cayman Islands

Under the existing laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. The holder of any Notes (or a legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes. Certificates evidencing registered Notes, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the Company if any such documents are executed in or brought into the Cayman Islands or produced before the courts of the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and received an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

CAYMAN ISLANDS GOVERNMENT
The Tax Concessions Act (as amended)
Undertaking as to Tax Concessions

In accordance with the provisions of Section 6 of The Tax Concessions Act (as amended), the Governor in Cabinet undertakes with:

Biostime International Holdings Ltd. ("Company")

(i) that no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(ii) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(a) on or in respect of the shares, debentures or other obligations of the Company; or

(b) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (as amended).

These concessions shall be for a period of TWENTY years from 11 May 2010.

Clerk of the Cabinet

British Virgin Islands

There is no income or other tax of the BVI imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the execution, delivery, performance or enforcement of the Subsidiary Guarantees.

Australia

The following is a summary of the principal taxation consequences under the Australian Income Tax Assessment Acts of 1936 and 1997 (Cth) (together, the "**Australian Tax Act**"), the Australian Taxation Administration Act 1953 (the "**TAA**") and any relevant rulings, judicial decisions or administrative practice, as at the date of this offering memorandum, of the acquisition, ownership and disposal of Notes for investors who are non-residents of Australia for Australian tax purposes and who do not acquire or hold Notes at any time in carrying on business at or through a permanent establishment in Australia. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of Notes (including dealers in securities, custodians or other third parties who hold the Notes on behalf of any absolute beneficial owners of Notes).

The tax consequences of holding and otherwise dealing with the Notes can vary depending upon individual circumstances of the Noteholders. Prospective holders of Notes should seek independent advice on the Australian and foreign tax implications of an investment in the Notes in their particular circumstances. This summary is not intended to be, nor should it be construed as, legal or tax advice to any particular holder of Notes or relied upon as such.

Australian interest withholding tax

Payments by the Company of interest on the Notes will not be subject to the Australian interest withholding tax because those payments will not be made by a resident of Australia, or by a non-resident of Australia as part of a business carried on by it at or through a permanent establishment in Australia.

Australian law is not settled in relation to payments by an Australian Subsidiary Guarantor in relation to interest obligations of the Company. The Australian Commissioner of Taxation has expressed the view that payments by an Australian resident guarantor in relation to unpaid interest are themselves in the

nature of interest and subject to Australian interest withholding tax. While that expression of opinion has no binding effect, it is an indication that the Australian Commissioner of Taxation may seek to collect Australian interest withholding tax on payments of that kind. In the event that any withholding taxes are required to be withheld or deducted from any payments under the Subsidiary Guarantees, the Australian Subsidiary Guarantors will, subject to certain exceptions described in this offering memorandum, be required to pay such additional amounts as will result, after deduction or withholding of such taxes, in the receipt of the amounts which would have been received under the guarantees had no such withholding or deduction been required. See "*Description of the Notes — Additional Amounts*".

Gains on disposal of Notes

No Australian income or other tax is payable on any profit on sale or redemption of the Notes that are held by non-residents of Australia (other than Notes that have been held at any time through a permanent establishment in Australia) except if the Notes are purchased with the intention of deriving that profit, or the Notes are trading stock of the vendor or if an ordinary incident of the vendor's business is the sale of securities for a profit and, in each case, the profit has a source in Australia. The profit will generally only have a source in Australia if the business is conducted in Australia, if the Notes are sold in Australia or the Notes are physically held in Australia. Notwithstanding that a profit from a sale or redemption of Notes is *prima facie* assessable within Australia in the circumstances referred to above, if the vendor is a resident of a country with which Australia has a tax treaty, then depending on the circumstances of the case and the terms of the relevant treaty, relief from Australian tax may nevertheless be available under the treaty.

Death duties

No Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death.

Stamp duty

No *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes.

Garnishee directions

The Australian Commissioner of Taxation may give a direction under section 255 of the Australian Tax Acts or section 260-5 of the TAA or any similar provision requiring a Subsidiary Guarantor to deduct from any payment to any other party (including any Noteholder) any amount in respect of Australian tax payable by that other party.

The Proposed Financial Transaction Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated as of January 16, 2025 (the "**Purchase Agreement**") between the Company and Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International plc, China CITIC Bank International Limited, The Hongkong and Shanghai Banking Corporation Limited, Mashreqbank psc, Coöperatieve Rabobank U.A., Hong Kong Branch, a branch of Coöperatieve Rabobank U.A. whose place of incorporation is the Netherlands and Industrial Bank Co., Ltd. Hong Kong Branch (collectively, the "**Initial Purchasers**"), the Initial Purchasers have severally agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, the principal amount of Notes set forth opposite their names below:

Initial Purchaser	**Principal Amount of Notes to be purchased**
	(USD)
Deutsche Bank AG, Hong Kong Branch	90,000,000
Goldman Sachs (Asia) L.L.C.	90,000,000
Morgan Stanley & Co. International plc	90,000,000
China CITIC Bank International Limited	10,000,000
The Hongkong and Shanghai Banking Corporation Limited	10,000,000
Mashreqbank psc	10,000,000
Coöperatieve Rabobank U.A., Hong Kong Branch, a branch of Coöperatieve Rabobank U.A. whose place of incorporation is the Netherlands	0
Industrial Bank Co., Ltd. Hong Kong Branch	0
Total	**300,000,000**

The Purchase Agreement provides that the obligation of the Initial Purchasers to take and pay for the Notes is subject to the approval of certain legal matters by its counsel and certain other conditions. The Initial Purchasers have agreed to take and pay for all of the Notes if any are taken. The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page of this offering memorandum. After the offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers. The Initial Purchasers may offer and sell the Notes through certain of its affiliates and may provide to such affiliates an opportunity to purchase some of the Notes in the initial offering.

The Notes are a new issue of securities with no established trading market. We have been advised that the Initial Purchasers presently intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market-making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Stabilizing Manager, or any person or entity acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes, to the extent permitted by applicable laws and directives, and other than in circumstances where such action would reasonably be expected to affect the price of the Notes traded within Australia or on a financial market, as defined in the Australia Corporations Act, operated within Australia. Specifically, the Stabilizing Manager, or any person or

entity acting on its behalf, may over-allot the offering, creating a syndicate short position. In addition, the Stabilizing Manager, or any person or entity acting on its behalf, may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. The Stabilizing Manager may bid for and purchase Notes in market-making transactions as permitted by applicable laws and regulations and impose penalty bids. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Stabilizing Manager, or any person or entity acting on its behalf, is not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes. See "*Risk Factors — Risks relating to the Notes, the Subsidiary Guarantees and the Collateral*".

The Initial Purchasers and certain of their respective affiliates have performed in the past and may perform in the future certain investment banking, lending, arranging, commercial/corporate banking and advisory services for the Company and/or its affiliates, including in respect of debt financing for its shareholders secured by shares of the Company, from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform banking and advisory services for the Company and/or its affiliates in the ordinary course of business. Certain affiliates of the Initial Purchasers are arrangers and lenders under the Senior Facilities and provided hedging services in respect of the Senior Facilities. In addition, certain affiliates of the Initial Purchasers may from time to time hold positions in the Company, including the 2026 Notes, which will be refinanced in part with the proceeds from the offering of the Notes. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

We have agreed to provide to the Initial Purchasers certain customary fees or discounts for their services in connection with the offering of the Notes in this offering and to reimburse the Initial Purchasers for certain out-of-pocket expenses in respect of the Notes offering.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page of this offering memorandum.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of the Company or its subsidiaries during the period from the date of the Purchase Agreement through and including the date 90 days after the date of the Purchase Agreement, without the prior written consent of the Initial Purchasers.

The Initial Purchasers or their respective affiliates may purchase the Notes and/or other securities of the Company for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the fifth business day following the pricing date of the Notes (this settlement cycle is referred to as "**T+5**"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that

the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business day should consult their own legal advisor.

Selling restrictions

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered except outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

As used herein, the term "United States" has the meaning given to it in Regulation S.

EEA

The Notes which are the subject of the offering contemplated by this offering memorandum may not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

The Notes which are the subject of the offering contemplated by this offering memorandum may not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of assimilated law in the United Kingdom by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of assimilated law in the United Kingdom by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time).

Each Initial Purchaser has represented, warranted and undertaken to the Company that:

(a) Financial promotion: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Company or the Subsidiary Guarantors; and

(b) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered with *the Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

No Notes have been offered, sold or delivered, and will not be offered, sold or delivered or any copy of this offering memorandum or any other document relating to the Notes in Italy have not been distributed except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "**Issuers Regulation**"), all as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

France

No Notes have been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and have not been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France, the offering memorandum or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifies*), acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code *monétaire et financier*.

Hong Kong

Each Initial Purchaser has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, the Subsidiary Guarantors, a CMI or its group companies would be considered under the SFC Code as having an Association with the Company, the Subsidiary Guarantors, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Company, the Subsidiary Guarantors or any CMI (including its group companies) and inform the Initial Purchasers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this offering memorandum.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Initial Purchasers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Initial Purchaser(s) (if any) to categorize it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: pj_harbour@list.db.com, gs-hk-dcm-omnibus@gs.com and omnibus_debt@morganstanley.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Company, the Subsidiary Guarantors, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Initial Purchasers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Initial Purchasers with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Initial Purchasers that it is not a Sanctions Restricted Person. A "**Sanctions Restricted Person**" means an individual or entity (a "**Person**"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://eeas.europa.eu/headquarters/headquartershomepage_en/8442/Consolidated%20list%20of%20sanctions); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "**SSI List**"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "**EU Annexes**"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "**Sanctions Authority**" means: (a) the United States government; (b) the United Nations; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (f) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

Singapore

Each Initial Purchaser has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Australia

This offering memorandum has not been, and no prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to the Notes has been or will be lodged with, or registered by, ASIC, ASX Limited or any other regulatory authority in Australia.

Notes may not (directly or indirectly) be offered for issue or sale, nor may applications for the issue, subscription or purchase of the Notes be invited, in, to or from Australia (including an offer or invitation which is received by a person in Australia) and no offering memorandum, advertisement or other offering material relating to the Notes may be distributed or published in Australia unless:

(i) the aggregate consideration payable by each offeree or invitee is at least A$500,000 (or its equivalent in other currencies, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or 7.9 of the Australian Corporations Act;

(ii) the offer or invitation does not constitute an offer to a "retail client" as defined under and for the purposes of Section 761G and Section 761GA of the Australian Corporations Act;

(iii) such action complies with all applicable laws, regulations and directives in Australia (including without limitation, any applicable licensing requirements set out in Chapter 7 of the Australian Corporations Act); and

(iv) such action does not require any document to be lodged with, or registered by, ASIC, ASX Limited or any other regulatory authority in Australia.

(v) Each person who accesses or views this offering memorandum will be deemed to have represented to the Company and the Initial Purchasers that it is not located or resident in Australia or, if it is located or resident in Australia, it is not a "retail client" for the purposes of Section 761G of the Australian Corporations Act and is also a professional investor as defined in section 9 of the Australian Corporations Act or a wholesale client as defined in section 761G of the Australian Corporations Act or otherwise a person to whom an offer may be made without disclosure under Part 6D.2 or Part 7.9 of the Australian Corporations Act.

British Virgin Islands

Notwithstanding that Part II of the Securities and Investment Business Act, 2010 (as amended) of the British Virgin Islands ("**SIBA**") is not, as at the date of this offering memorandum, in force, this offering memorandum shall not be distributed to, or received by, any person in the British Virgin Islands if the distribution of this offering memorandum to, or receipt of this offering memorandum by, that person shall constitute a public offer within the meaning of the SIBA.

Cayman Islands

The Notes have not been offered or sold, whether directly or indirectly, and will not be offered or sold, to the public in the Cayman Islands.

This offering memorandum does not constitute, and will not be, an offering of the Notes to the public in the Cayman Islands.

The People's Republic of China

This offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC (for such purposes, not including Hongkong and Macao Special Administrative Regions or Taiwan). No Notes may be offered or sold, directly or indirectly, and neither the offering memorandum nor any advertisement or other offering material may be distributed or published in the PRC, except in compliance with applicable laws and regulations of PRC.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary description of certain limitations on the validity and enforceability of the Subsidiary Guarantees for the Notes, and a summary of certain insolvency law considerations in some of the jurisdictions in which the Company and the Subsidiary Guarantors are incorporated or organized. For further information, see "*Risk Factors — Risks relating to the Notes, the Subsidiary Guarantees and the Collateral*".

The description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes and the Subsidiary Guarantees. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

Australia

The Australian Subsidiary Guarantors are incorporated in Australia. In the event of insolvency, insolvency proceedings may therefore be initiated in Australia under the insolvency laws of Australia under the Australian Corporations Act as supplemented by the Corporations Regulations 2001 (Cth) of Australia (the "**Australian Corporations Regulations**"). The procedural and substantive provisions may differ from comparable provisions of bankruptcy law or the insolvency laws of other jurisdictions with which you may be familiar.

There are four main forms of insolvency processes in Australia: voluntary administration, deed of company arrangement, receivership and winding-up (also called liquidation). Corporate reorganizations can also be effected by schemes of arrangement.

Test of insolvency

Under the Australian Corporations Act, a key event for a company in financial distress is whether it has become "insolvent".

A company is insolvent if it is unable to pay its debts as and when they become due and payable (commonly referred to as the "**cash flow test**").

A company may also be insolvent even if the value of its assets exceeds its liabilities if the assets are not easily realizable to allow payment of its debts as and when they fall due, although insolvency is distinguishable from a temporary lack of liquidity. Insolvency has been generally held to depend on the particular circumstances of the company, such as the nature of its assets and business and whether it satisfies the cash flow test. Australian courts assess insolvency through a consideration of the company's financial position based on commercial reality, having regard to the prevailing circumstances at the time, such as the expectation of future cash flows. Courts have held that a temporary lack of liquidity alone is insufficient to conclude that a company is insolvent.

Voluntary administration

Voluntary administration is the most commonly used procedure for formal business rehabilitation and is an insolvency process begun by the appointment of an administrator to a company, during which time the administrator investigates the company's affairs and recommends to its creditors whether the company should enter into a deed of company arrangement approved by its creditors (see further below), be wound up (see further below) or revert to normal operation by its directors. A company need not be presently insolvent to enter into voluntary administration.

The most common method for appointment of an administrator is for the company's board to resolve that, in the opinion of the directors voting for the resolution, the company is insolvent, or is likely to become insolvent at some future time and that an administrator should be appointed.

Voluntary administration is a procedure designed to salvage insolvent or near-insolvent companies so that the company can return to trading or provide a better return for creditors and shareholders. It is the only formal process in Australia with rehabilitation as one of its express goals.

Voluntary administration is intended to provide for a short period of administration, although the administrator can seek a direction from an Australian court to lengthen the period of the administration where the circumstances justify that course. During the period of voluntary administration, the administrator controls the company (the powers of the directors are suspended). The administrator is free to carry on the business of the company, including appointing or removing directors, and does so as the company's agent.

During the period of voluntary administration, there is also a moratorium on claims by the company's creditors, such that (with certain exceptions) no civil proceedings (including insolvency proceedings) against the company, or in relation to the company's property, can be commenced or continued with, and no enforcement processes can begin or proceed other than with the consent of the administrator or an Australian court. A security interest cannot be enforced over the property of the company except with the consent of the administrator or an Australian court, unless the secured party holds a security interest over the whole or substantially the whole of the company's property and enforces the security interest within the specified period (currently 13 business days) of the appointment of the administrator. The moratorium is intended to provide the administrator with enough time to formulate a rescue proposal for the business, or to realize the company's assets. There are several exceptions to the moratorium. The main exceptions relate to secured creditors and to bankers who have a banker's lien over certain property of the company (including cash (in the form of notes or coins), negotiable instruments, securities or derivatives). In addition, no transfer of shares or alteration in the status of members of the company may take place without the consent of the administrator or leave of the court. The administrator may only give consent to the transfer if they are satisfied that the transfer is in the best interests of the company's creditors as a whole.

Deed of company arrangement

A deed of company arrangement ("**DOCA**") is a deed which binds the company, its unsecured creditors and the secured creditors who vote in favor of it, and provides for the restructure or rehabilitation of the company usually by compromising claims against the company in exchange for a distribution to creditors.

A company can only enter into a DOCA when it is in voluntary administration, that is, when a company is insolvent or likely to become insolvent, and when the company's creditors have resolved that it be entered into. It must be approved by 50.1% of creditors (by number) who vote, **provided that** those creditors hold at least 50.1% (by value) of the debts held by creditors who vote. Alternatively, a DOCA can be approved by a simple majority of creditors (by debt or value) if the administrator also votes for it (i.e. by exercising the administrator's "casting vote").

The content of a DOCA will depend on the arrangement agreed by the company's creditors at the conclusion of a voluntary administration. A company may only enter into a DOCA when it is in voluntary administration. There are minimal restrictions under Australian law regulating the content of a DOCA, meaning a company and its creditors are relatively free to negotiate a DOCA suitably tailored to their individual circumstances. For example, a DOCA may provide for the realization of assets, the orderly winding down of the company's business, the pursuit of litigation for the benefit of creditors, and the compromise of claims against the company. It will often also provide for a moratorium on claims against the company for the period in which the DOCA operates.

As stated above, the DOCA will bind the company, its unsecured creditors (whether or not they voted in favor of it) and those of its secured creditors who voted in favor of it. Secured creditors who did not vote

in favor of the DOCA will not generally be bound by the DOCA (including any moratorium provisions contained in it). Disgruntled creditors can apply to the court to set aside a DOCA on various grounds, including: (a) false or misleading information supplied to the creditors before they voted to approve the DOCA; (b)the DOCA being unfairly prejudicial to one or more creditors; and (c) the DOCA only passed because of the votes of related entities.

A DOCA can be terminated in accordance with its terms, by an order of an Australian court, or in certain circumstances by resolution of the company's creditors.

Scheme of arrangement

A scheme of arrangement is a court approved compromise or arrangement between a company and its creditors or members. Schemes can be utilized by companies to provide for a modification or adjustment of the rights of the company's creditors or members which, if approved, will be binding on all creditors or members.

A scheme of arrangement, while similar to a DOCA, requires the approval of an Australian court (with the right for ASIC to object) but may be entered into at any time, rather than only when a company is under voluntary administration.

There are two different types of schemes: members' schemes and creditors' schemes.

A members' scheme will inevitably involve some restructuring of the company and the rights and obligations of its members. Once approved, the scheme will be binding on all members (including dissenting members).

A creditors' scheme will often involve a proposal to defer, compromise or extinguish the company's debts; a typical scenario would involve a moratorium in respect of claims against the company and a compromise of debts owed by it (and/or a modification of the rights of creditors or a class of them in relation to the company). Once approved, the scheme will be binding on all creditors (including dissenting creditors).

Schemes are, however, extremely flexible and can be utilized to implement any arrangement relating to the rights and obligations of the company and its creditors, save that a scheme which is contrary to law, or not in the public interest, is unlikely to be approved by the court (even if it has the support of members and/or creditors).

Receivership

Receivership is a self-help remedy and a form of insolvency process (available to secured creditors), under which a receiver is appointed in respect of a company to take control of or get in specific property, so as to protect the rights of a party (usually a secured creditor) entitled to that property. Receivers are usually appointed privately by a secured creditor in accordance with the terms of a security document. In certain limited circumstances, receivers may also be appointed by an Australian court on the application of a party seeking to protect its interests or by ASIC, where a company is under investigation and ASIC seeks to freeze the activities of the company.

The appointment of a receiver by a secured creditor does not prevent unsecured creditors from pursuing their outstanding claims against the company. Accordingly, receivership can occur concurrently with a voluntary administration, DOCA or a winding up. It does not prevent other secured or unsecured creditors from making claims against the company. Where a receivership occurs concurrently with a voluntary administration, the administrator's powers are subject to the functions and powers of the receiver. However, a secured creditor's power to appoint a receiver under a security document may be restricted by

the appointment of a voluntary administrator. A secured creditor with a security interest over the whole, or substantially the whole, of the property of the company has 13 business days from the date on which notice is given to the secured creditor of the appointment of the administrator to enforce its security before it becomes subject to the moratorium that arises on the commencement of voluntary administration. Such enforcement action may include the appointment of a receiver by the secured creditor. In these circumstances, the receiver's powers will take precedence over those of the administrator in respect of the secured property. Where a receivership occurs concurrently with a winding up, the receiver's powers are not diminished, although there may be some restrictions on the extent to which the receiver may exercise those powers.

The manner of a receiver's appointment (and his or her powers) will depend upon the terms of the security document which they are appointed under, the extent of the assets securing the company's obligation or the court order under which he or she was appointed but will generally be very broad. A secured creditor will usually have the ability to appoint either a receiver or a receiver and manager. A receiver is charged with the realization or management of the secured asset over which he or she has been appointed and will usually have the power to enter into possession and control of, lease and/or sell the secured property. A receiver and manager are empowered to take control of the debtor's business as a going concern for the purpose of repayment of the secured debt, either through realization of the debtor's assets or through the income generated by the debtor's business. In carrying on the business of the debtor, the receiver and manager generally acts as agent of the company.

A receiver owes his or her primary duty to the secured creditor who appointed them. The Australian Corporations Act also imposes certain statutory duties on a receiver in the conduct of the receivership, chief among these being the duty imposed by Section 420A of the Australian Corporations Act, which obliges receivers to take reasonable care to ensure that, if sold, the secured assets are sold for market value or, if there is no market value, for the best price reasonably obtainable.

While the directors and officers of the debtor are not formally displaced by the appointment of a receiver or receiver and manager, the powers of the receiver supersede those of the existing company management and will usually result in the directors and officers being left without an active role in the operation of the company. The directors may be required to provide the receiver with reports as to the company's affairs and to cooperate with the receiver to the extent necessary to achieve the purposes of the receivership.

In the normal course, a privately-appointed receivership will terminate where the purpose for which the receiver was appointed has been achieved. This will usually be the repayment of the debt owed to the secured creditor. If there are insufficient assets held by the debtor to repay the secured debt in full, the receivership will terminate when the receiver exhausts all of the available assets of the debtor and retires.

On termination of the receivership (assuming there is not also a voluntary administration process on foot), control of the debtor and all of its remaining assets are returned to the company's directors and officers.

Winding-up

A winding-up (or liquidation) is an insolvency process by which a company's affairs are brought to an end, and its assets are distributed among its creditors and (if there is a surplus after creditors are paid) its members.

A winding-up most commonly occurs where a company is insolvent, and is commenced:

- where an Australian court makes an order that the company be wound up in insolvency (or for some other reason) (sometimes called compulsory winding-up); or

- by resolution of the company's creditors (known as a creditors' voluntary winding-up).

As stated above, at the conclusion of a voluntary administration, the company's creditors may resolve to wind up the company, in which case there is an immediate transition from the voluntary administration to a creditors' voluntary winding-up. It is possible for a receivership to occur concurrently with a winding-up.

During a winding-up, unless leave is granted by a court, a person cannot bring or proceed with a court proceeding against a company, or in relation to the property of the company, or enforcement process in relation to such property, in order to prevent the assets of the company being wasted by litigation. The rights of secured creditors are exempt from this moratorium, and they are able to realize, enforce or otherwise deal with their security interest and may also elect to appoint a receiver (in accordance with the relevant security agreement). Unsecured creditors have no rights to specific items of the company's assets and must prove their debts by lodging a proof of debt with the liquidator. Unsecured creditors have a right to have a fund of assets protected and properly administered by the liquidator.

To the extent that the secured creditor's security interest is a circulating security interest over property, their right to realize that security interest in respect of that property becomes subordinated to employees of the debtor company upon winding-up if the property of the company is insufficient to meet the payment of unpaid wages, unpaid superannuation contributions, and other employee entitlements. Subject to this qualification, in a winding-up of a company, a secured creditor may elect to:

- realize its security interest in full satisfaction of the debt owed to it by the company (unless a debt remains due after deduction of the net amount realized, in which case the secured creditor may prove in the winding-up of the company for the balance);

- surrender its security interest to the liquidator for the benefit of creditors generally and prove for the whole amount of the secured debt in the winding-up of the company; or

- estimate the value of the security interest and prove for the balance due after deducting the estimated value in the winding-up the company (without realizing or surrendering its security interest).

Any proof of debt lodged by a secured creditor ranks equally with any unsecured creditor. Once a fund has been generated by the liquidator's collecting of available assets and the time period for the proving of claims has expired, the liquidator can make a distribution to creditors. Depending upon the complexity and size of the company, liquidation can last for several years and the liquidator may make several distributions over that time. There is a prescribed order of payment of these debts as follows:

- expenses of the winding-up (including the liquidator's and any prior receiver's or voluntary administrator's or deed administrator's remuneration); then

- unpaid wages, unpaid superannuation contributions, and other employee entitlements (noting that persons who advance funds to pay such claims have the priorities for those payments which the employees otherwise enjoy); then

- unsecured creditors (including secured creditors with outstanding debts following realization of, surrender of, or redemption by the liquidator of the estimated value of, their security interest); then finally

- shareholders.

In the case of winding-up, the final step to be taken is to deregister the company. The steps for deregistration are governed by the Australian Corporations Act and once deregistered, the company ceases to exist and the liquidator's role comes to an end.

With respect to the Subsidiary Guarantees, if a liquidator is appointed to an Australian Subsidiary Guarantor and that appointment occurs within a period, as specified in the Australian Corporations Act, of that Australian Subsidiary Guarantor's granting of a Subsidiary Guarantee, the Subsidiary Guarantee may be susceptible to challenge by the liquidator as a voidable transaction (pursuant to the Australian Corporations Act). The main types of transactions that can be deemed voidable include the following:

(i) an "**unfair preference**", being a transaction between the company and a creditor carried out at a time when the company was insolvent (or the company became insolvent as a result of the transaction) that results in the creditor receiving from the company, in respect of an unsecured debt, more than the creditor would receive on a winding-up of the company;

(ii) an "**uncommercial transaction**", being a transaction that a reasonable person in the company's position would not have entered into, having regard to the benefits and detriment to the company of entering into the transaction, the benefits to the other parties to the transaction of entering into it and any relevant matters;

(iii) an "**unreasonable director-related transaction**" or an "**unfair loan**" (as those terms are defined in the Australian Corporations Act); and

(iv) a security interest granted by the company in respect of "circulating assets" in the six-month period leading up to the liquidator's appointment (except, generally, where the security interest relates to a new advance).

The extent to which the entry into the Subsidiary Guarantees and/or security interests is susceptible to challenge on the bases set out above depends on when the relevant transaction was entered into relative to the commencement of the winding-up (or, if a voluntary administration precedes the winding-up, the commencement of the voluntary administration). Different time periods apply depending on the circumstances of the relevant transaction and the identity of the parties to it.

If an Australian court is satisfied that no reasonable person in that Australian Subsidiary Guarantor's circumstances would have entered into the Subsidiary Guarantees, having regard to the benefits and detriments for that Australian Subsidiary Guarantor, the relevant Subsidiary Guarantee may be declared void by the Australian court if that Australian Subsidiary Guarantor is found to have been insolvent at the time the security interest was granted, or became insolvent as a consequence of entering into the Subsidiary Guarantees.

PPSA Issues

The Australian Personal Property Securities Act 2009 (Cth) ("**PPSA**") sets out detailed rules in relation to security interests over personal property (each as defined in the PPSA) ("**PPS Security Interest**"). Under the PPSA, security interests over personal property are subject to a priority regime and may be susceptible to a loss of priority (or in certain circumstances extinguishment) unless the security interest has attached to the relevant collateral and has been perfected. Perfection will usually occur upon registration of the security interest on the Personal Property Securities Register ("**PPSR**") (but can also be effected by "possession" or "control" of the relevant collateral). To the extent that any PPS Security Interests are granted such rules may apply.

The Subsidiary Guarantees do not give rise to a security interest under the PPSA that is customarily registered on the PPSR. However, the enforcement of a PPS Security Interest by a secured party against an Australian Subsidiary Guarantor may affect the Australian Subsidiary Guarantor's ability to satisfy any or all of their obligations under the Subsidiary Guarantees. See "*Risk Factors — Risks relating to the Notes, the Subsidiary Guarantees, and the Collateral — Enforcing your rights as a holder of the Notes or under the Subsidiary Guarantees or the Collateral across multiple Jurisdictions may be difficult*".

Additional Limitations

In addition to the limitations on enforcement of the Subsidiary Guarantees imposed by the provisions of the Australian Corporations Act, the validity and enforceability of the Notes and Subsidiary Guarantees (and any PPS Security Interests granted by an Australian Subsidiary Guarantor) may also be subject to various other limitations under the laws of Australia generally, including:

(i) statutes of limitations, laws relating to moratoria, bankruptcy, liquidation, insolvency, receivership, reorganization, schemes of arrangement and similar laws affecting creditors' and counterparties' rights generally and specific court orders that may be made under such laws;

(ii) defences such as set-off, laches, forbearance, election, abatement or counterclaim, the doctrine of frustration and the doctrine of estoppel and waiver and the fact that security interests and certain other documents and obligations may be discharged as a matter of law in certain circumstances;

(iii) the fact that equitable remedies will only be granted by an Australian court in its discretion (for example, specific performance will not normally be ordered in respect of a monetary obligation and an injunction will only be granted where it would be just to do so);

(iv) any applicable sanctions;

(v) general law and statutory duties, obligations, prohibitions and limitations affecting the enforceability of, and exercise of rights under, the Notes, Subsidiary Guarantees, or any other security interests and related documents generally;

(vi) the Notes and Subsidiary Guarantees may be voidable at the option of a party, or may be set aside by an Australian court upon application by a party, or a party may be entitled to rescind guarantees or the security agreements, and amounts paid or property transferred under them may be recovered by that party for a number of reasons, including, if that party entered into the guarantees, the security agreements or related transactions as a result of:

- a mistake;
- the other party's misrepresentation;
- fraud, duress, unconscionable conduct or misleading or deceptive conduct on the part of the other party (or a third person, whose conduct was, actually or constructively, known to the other party); or
- a breach by the other party (or a third person, whose breach was, actually or constructively, known to the other party) of any duty owed to that party; and

(vii) certain rights under the Subsidiary Guarantees are not assignable, because of their nature or their connections with other rights and obligations or for reasons of public policy.

British Virgin Islands

A company incorporated in the British Virgin Islands ("**BVI**") can be wound up on an insolvent basis pursuant to the provisions of the Insolvency Act 2003 (as amended) (the "**Insolvency Act**") by order of the High Court (the "**Court**") on hearing an application made by *inter alios* a creditor, the company or a member (the latter only being able to apply with leave from the court) or by a qualifying resolution of its members (being 75% or such higher majority required by the memorandum or articles).

Where an Insolvency Act liquidator is appointed to wind up a company in accordance with the Insolvency Act, his or her principal functions are to collect in the assets of the company in order to make distributions to the company's creditors in accordance with the priority established by the Insolvency Act and the Insolvency Rules 2005 (as amended) and thereafter to distribute any surplus among the company's shareholders. Voluntary solvent liquidations are administered under the BVI Business Companies Act, 2004 (as amended).

Where an application for the appointment of a liquidator of a company has been filed but not yet determined or withdrawn, the Court may, on application by *inter alios* the applicant for the appointment of a liquidator, the company, a creditor or a member (the latter only being able to apply with leave from the court), appoint a provisional liquidator. The Court may appoint a provisional liquidator if the company consents or it is satisfied that the appointment of a provisional liquidator is necessary for the purpose of maintaining the value of assets owned or managed by the company or is otherwise in the public interest. The Court may appoint a provisional liquidator on such terms as it considers fit and otherwise a provisional liquidator will have the rights and powers of a liquidator to the extent necessary to maintain the value of the assets owned or managed by the company or to carry out the functions for which he was appointed.

Secured creditors are entitled to enforce their security without involvement of the liquidators or the Court. From the commencement of the liquidation (being the time at which the liquidator is appointed): (i) the liquidator has custody and control of the assets of the company; (ii) the directors and other officers of the company remain in office, but they cease to have any powers, functions or duties other than those required or permitted under the Insolvency Act or authorized by the liquidator; (iii) unless the Court otherwise orders, no person may commence or proceed with any action or proceeding against the company or in relation to its assets, or exercise or enforce, or continue to exercise or enforce any right or remedy over or against the assets of the company; (iv) unless the Court otherwise orders, no share in the company may be transferred; (v) no alteration may be made in the status of or to the rights or liabilities of a member, whether by an amendment of the memorandum or articles or otherwise; (vi) no member may exercise any power under the memorandum or articles, or otherwise, except for the purposes of the Insolvency Act; and (vii) no amendment may be made to the memorandum or articles of association of the company.

The appointment of an Insolvency Act liquidator does not: (i) affect the right of a secured creditor to take possession of and realize or otherwise deal with assets of the company over which that creditor has a security interest; (ii) subject to certain limitations, affect any valid rights of set-off or netting, including insolvency set-off unless the creditor had actual notice that the debtor was insolvent on the cash flow basis at the time it gave credit to the debtor or received credit from the debtor; and (iii) affect any agreement by a creditor to subordinate its debt made before the commencement of the liquidation (except to the extent that a creditor who was not a party to that agreement is prejudiced).

A liquidator of a BVI company can challenge certain "voidable transactions" that the company entered into in the period of two years (in respect of persons connected with the company) or six months (for persons that are not connected to the company) prior to the onset of insolvency (as defined in the Insolvency Act), or five years prior to the onset of insolvency in relation to extortionate credit transactions (the "**Vulnerability Period**") when the company was insolvent or where the transaction caused the company to become insolvent. There are four categories of "voidable transactions" which, if successfully challenged, could be (*inter alia*) unwound: (i) unfair preferences (where a creditor has been preferred), (ii) undervalue transactions (where there has been a gift or a transaction in respect of which the consideration received by the company in money or money's worth was significantly less than the value provided by the company) and (iii) certain floating charges. Further, (iv) a transaction entered into by the company within the applicable Vulnerability Period involving the provision of credit to the company may be deemed to be an extortionate credit transaction (and therefore subject to challenge by a liquidator) if the terms of the transaction are or where such as to require grossly exorbitant payments to be made in respect of the provision of credit or the transaction otherwise grossly contravenes ordinary principles of fair trading.

Cayman Islands

Cayman Islands insolvency law provides for three different procedural systems for winding up companies, namely: (i) compulsory winding-up by order of the Grand Court of the Cayman Islands (the "**Court**"); (ii) voluntary winding-up and; (iii) voluntary winding-up subject to the supervision of the Court.

Each system requires the appointment of a liquidator, who assumes control of the management of the company and whose function it is to wind up the company's affairs and collect, realize and distribute the assets of the company to its creditors in accordance with the priority of payments provided for by statute, to report to the company's creditors and contributories upon the affairs of the company and the manner in which it has been wound up and thereafter to distribute any surplus among the company's shareholders. A creditor having a validly created security interest over property of a company in liquidation is entitled to enforce its security without reference to the official liquidators and without the leave of the Court.

The Court may, at any time after the presentation of a winding up petition but before the making of a winding up order, appoint a liquidator provisionally upon hearing an application by *inter alios* a creditor or member of a company. There must be a *prima-facie* case for making a winding up order; and the appointment of a provisional liquidator must be necessary *inter alia* in order to (i) prevent the dissipation or misuse of the company's assets; (ii) prevent the oppression of minority shareholders; or (iii) prevent mismanagement or misconduct on the part of the company's directors. A company may also present a petition to the Cayman Court for the appointment of a restructuring officer on the grounds that the company: (i) is or is likely to become unable to pay its debts; and (ii) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Cayman Islands Companies Act (the "**Companies Act**") (2023 Revision) or a foreign law or by way of a consensual restructuring. A petition for the appointment of a restructuring officer may be presented by a company acting by its directors without a resolution of its members and/or an express power to present such a petition in its articles of association. The powers and functions of the restructuring officer will be determined by the Cayman Court in the order pursuant to which the restructuring officer is appointed.

When a winding-up order is made or a provisional liquidator is appointed, or a petition for the appointment of a restructuring officer is presented, no proceedings may be proceeded with or commenced against the company except with the leave of the Court. The moratorium does not prevent a secured creditor from realizing its security and the Companies Act provides that a winding up does not affect any valid contractual rights of set-off or netting of claims between the company and any person or subordination agreements acquired or entered into before the commencement of the official liquidation (although a contractual right of set-off may be lost if the creditor knew that the company was the subject of a winding-up petition at the time of extending credit). When a winding up order has been made, dispositions of the company's property, transfers of its shares and alterations in the status of its shareholders effected after the commencement of its winding up (usually being the date upon which a winding up petition is filed) are void, unless the Court otherwise orders. Furthermore, an official liquidator has the ability to seek an order from the Court for transactions (including the grant of security by the relevant company) entered into prior to the commencement of the insolvency proceedings to be set aside where the company was insolvent on a cash flow basis at the time it entered into the relevant transaction and (i) such transaction was made (or security was granted) with a view to giving the relevant creditor a preference over the other creditors of the company, **provided that** the transaction was entered into within six months immediately preceding the commencement of the insolvency proceedings, or (ii) such transaction involved the disposition of property by or on behalf of the company at an undervalue (that is, for no consideration or for consideration the value of which in money or monies worth is significantly less than the value of the property which is the subject of the disposition) and with an intent to defraud its creditors, **provided that** no such action may be commenced by the official liquidator more than six years after the date of the relevant disposition.

England and Wales

The English subsidiary guarantor, Health and Happiness (H&H) UK Limited (the "**English Subsidiary Guarantor**") is a company incorporated under the laws of England and Wales. Therefore, as a matter of English insolvency law, insolvency proceedings by or against the English Subsidiary Guarantor would be likely to proceed under, and be governed by English insolvency laws. In addition, pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) (Retained EU Legislation) (the "**Recast Insolvency Regulation**"), where a company has its "center of main interests" ("**COMI**") in a member state of the European Union (the "**EU**"), the "main" insolvency proceedings (being insolvency proceedings that would have automatic recognition across the EU) for that company may be opened in the Member State in which its COMI is located and (subject to certain exceptions) be subject to the laws of that Member State.

English insolvency law is different from and may not be as favorable to your interests as the laws of other jurisdictions with which investors may be familiar. In the event that the Company or a subsidiary guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Applicable legal framework and jurisdiction of the English courts

Pursuant to the Recast Insolvency Regulation (and subject to certain exceptions), the court that shall have jurisdiction to open insolvency proceedings in relation to a company in the court of the EU member state (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the Recast Insolvency Regulation). The determination of where any such company has its COMI is a question of fact on which the courts of the different EU member state may have differing and even conflicting views.

To the extent that a company has its COMI in a member state of the EU, insolvency proceedings, pursuant to the Recast Insolvency Regulation and subject to certain exceptions, may be opened in the relevant EU member state and be subject to the laws of that EU member state. Although the scope of the English courts' jurisdiction varies for the different insolvency proceedings available in England and Wales, English courts generally have jurisdiction to open insolvency proceedings in respect of any company which (a) is incorporated in the UK; (b) is incorporated in a European Economic Area ("**EEA**") State; or (c) is not incorporated in an EEA State but has its COMI in a member state (other than Denmark). While this allows English courts to assume jurisdiction over certain foreign companies in respect of certain insolvency proceedings, the efficacy of such proceedings will significantly depend on the likelihood and extent of subsequent recognition of such proceedings in relevant other jurisdictions.

Similarly, the Cross-Border Insolvency Regulations 2006 (SI 2006/1030) (the "**Cross-Border Insolvency Regulations**"), which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (i.e., non-English) court may have jurisdiction to oversee insolvency proceedings where any English company has its COMI in such foreign jurisdiction, or where it has an "establishment"(being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services).

Although there is a rebuttable presumption that the COMI will be in the jurisdiction of incorporation, this presumption is not conclusive. COMI is not relevant, however, in respect of the English Subsidiary Guarantor. The fact that this company is incorporated in England would be sufficient for insolvency proceedings with respect to this company to be commenced in England and to be governed by English law. Our obligations under the Notes will be guaranteed by subsidiary guarantors. English insolvency laws may affect the enforceability of our payment obligations in respect of the principal, interest and other amounts owing by the Company and of a Guarantee against a subsidiary guarantor and the enforceability of any future security interests. Below is a brief description of certain aspects of English

insolvency law relating to certain limitations on the Guarantees and any future security taken over the Notes. The application of these laws could adversely affect your ability to enforce your rights for payment of the principal, interest and other amounts owing by the Company and/or your rights under the Guarantees and therefore may limit any amounts that you may receive.

Administration and insolvency proceedings under English law

English insolvency statutes empower English courts to make an administration order in respect of any company within their general jurisdiction (see "*— Applicable legal framework and jurisdiction of the English courts*" above), any company incorporated in England, Wales, Scotland or an EEA State, any company (irrespective of its country of incorporation) with its COMI in the UK or an EU Member State (other than Denmark) and upon request from courts in other parts of the UK or certain other countries and territories. In each case and subject to specific conditions, an administration order can be made if the court is satisfied that (a) the relevant company is or is likely to become "unable to pay its debts" and (b) the administration order is reasonably likely to achieve the purpose of administration.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including (a) by the company or a creditor making an application to court for administration; (b) by the company or certain types of secured creditor filing documents with the court for administration; (c) by a creditor filing a petition to wind up the company; or (d) by the shareholders of the company resolving to put the company into liquidation. A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely, to become unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

Under the Insolvency Act 1986 (the "**UK Insolvency Act**"), a company is insolvent if it is unable to pay its debts. A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due), if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), if it fails to satisfy a creditor's statutory demand for a debt exceeding £750 or if it fails to satisfy in full a judgment debt (or similar court order).

Should a subscriber to the Notes take security in the future, English insolvency laws and other limitations could limit the enforceability of a Guarantee against a subsidiary guarantor and the enforceability of any future security interests over the security.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the Guarantees given by the English Subsidiary Guarantor (or any other subsidiary guarantor whose COMI is situated in England and Wales) and the security interests over any future security. The application of these laws could adversely affect investors, their ability to enforce their rights under the applicable Guarantees and/or future security securing the Notes and the Guarantees and therefore may limit the amounts that investors may receive in an insolvency of the English Subsidiary Guarantor (or any other subsidiary guarantor whose COMI is situated in England and Wales).

Fixed versus Floating Charges

Fixed charge security has a number of advantages over floating charge security, save as provided under the Financial Collateral Arrangements (No. 2) Regulations 2003 (the "**Financial Collateral Arrangements Regulations**"): (a) an administrator appointed to the company which granted the floating charge can dispose of floating charge assets for cash or collect receivables charged by way of floating charge and use the proceeds and/or cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business while in administration) in priority to the claims of the floating charge holder; (b) a fixed charge over assets, even if created after the date of a floating charge over the assets, will rank prior to the floating charge over

some charged assets; (c) general costs and expenses (including the officeholder's remuneration) properly incurred in a winding-up or administration are payable out of floating charge assets to the extent the assets of the company available for creditors generally are otherwise insufficient to meet them (subject to certain restrictions for the costs of litigation) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge; (e) floating charge security is subject to certain challenges under English insolvency law (for further information, see "— *Grant of Floating Charge*" below); and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions, salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and collected taxes such as VAT and, where the floating charge is not a security financial collateral arrangement, to the claims of unsecured creditors in respect of a ring-fenced amount of the proceeds (for further information, see "— *Administration and Floating Charges*" below).

Under English insolvency law there is a possibility that a court could recharacterize as floating charges any security interests expressed to be created by a security document as fixed charges where the chargee does not have the requisite degree of control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof or does not exercise such control in practice as the description given to the charges in the relevant security document as fixed charges is not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Administration and Floating Charges

Under the UK Insolvency Act, administration proceedings are available in respect of any company incorporated in England, Wales, Scotland or a member state of the EEA, in addition to a company registered under the Companies Act 2006 (the "**UK Companies Act**") in England and Wales or Scotland and a company not incorporated in an EEA member state but with its COMI in the United Kingdom or an EU member state (other than Denmark) and upon request from courts in other parts of the United Kingdom or certain other countries and territories. Without limitation and subject to specific conditions, an administration order can be made if the court is satisfied that (a) the relevant company is or is likely to become "unable to pay its debts" and (b) the administration order is reasonably likely to achieve the purpose of administration. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge that has become enforceable, and different procedures apply according to the identity of the appointer.

The purpose of an administration comprises three objectives, each of which must be considered successively to determine whether it is reasonable to put the company into administration: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to one or more secured or preferential creditors. An administrator must attempt to achieve the objectives of administration in order, unless (s)he thinks it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. The administrator cannot pursue the third objective unless (s)he thinks either the first or the second objective is unachievable and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

Without limitation and subject to specific conditions, a company, the directors of such company or the holder of a qualifying floating charge where the floating charge has become enforceable, may also appoint an administrator through an out of court process, subject to certain exceptions pursuant to the Insolvency Act. Note that different procedures apply according to the identity of the appointor.

An administrator is given wide powers to conduct the business of the company to which they are appointed and, subject to certain requirements under the UK Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge). A set proportion of the proceeds of the realization of any property subject to a floating charge will need to be set aside for satisfaction of the claims of preferential creditors and the ring-fencing of the prescribed part (see "— *Prescribed Part*" below). An administrator may also, with prior approval by the court, deal with assets subject to a fixed charge, **provided that** disposing of the property is likely to promote the purpose of the administration and the administrator applies the net proceeds from the disposal towards discharging the obligations of the company to the fixed charge holder.

During the administration, in general no proceedings or other legal process may be commenced or continued against the debtor, or security or guarantee enforced over the company's property, except with leave of the court or the consent of the administrator (the "**statutory moratorium**"). Certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to security interests created or arising under a "financial collateral agreement" (generally, security/collateral in respect of cash or financial instruments, such as shares, bonds or tradeable capital market debt instruments) under the Financial Collateral Arrangements Regulations. If an English company were to enter administration, it is likely that any security or the guarantee granted by it may not be enforced while it is in administration, without the leave of court or consent of the administrator. In addition, other than in limited circumstances, no administrative receiver can be appointed by a secured creditor in preference to an administrator, and any already appointed must resign if requested to do so by the administrator. Where the company is already in administration no other receiver may be appointed.

In order to empower a security agent to appoint an administrative receiver or an administrator to the company, a floating charge granted by an English company must constitute a "qualifying floating charge" for purposes of English insolvency law and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document predates September 15, 2003, fall within one of the exceptions in the UK Insolvency Act to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument that (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company; or (c) purports to empower the holder to appoint an administrative receiver. A security agent will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with any other security interests granted to that party, relates to the whole, or substantially the whole, of the property of the relevant English company, and at least one such security interest is a qualifying floating charge. Please note that it is a matter of fact whether the extent of the security granted relates to "the whole or substantially the whole" of the property of a company and there is no statutory guidance as to what percentage of a company's assets should be charged to satisfy this test. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the UK Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50 million for the relevant English company during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the UK Insolvency Act, but is generally a rated, listed or traded debt instrument).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying floating charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court

considers that the security pursuant to which the administrative receiver was appointed is capable of challenge as a transaction at an undervalue, a preference or an invalid floating charge. If an administrator is appointed, any administrative receiver will vacate office.

In addition, certain rights of creditors, including secured creditors, are curtailed in an administration. Upon the appointment of an administrator, a statutory moratorium is imposed such that no step may be taken to enforce security or a guarantee over the company's property except with the consent of the administrator or leave of the court (although a demand for payment could be made under a guarantee granted by the company). The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

However, certain creditors of a company in administration may, in certain defined circumstances, be able to realize their security over certain of that company's property notwithstanding the statutory moratorium.

This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral agreement" (generally, a charge over cash or financial instruments, such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "**Financial Collateral Regulations**"). If a company were to enter administration, it is possible that, to the extent such security is a financial collateral arrangement, the security granted by it would be enforceable while it is in administration without leave of the court or consent of the administrators.

Accordingly, if the English Subsidiary Guarantor were to enter into administration, the guarantee provided by the English Subsidiary Guarantor may not be enforceable without the permission of the court or consent of the administrator while the English Subsidiary Guarantor was in administration. There can be no assurance that such permission of the court or consent of the administrator would be obtained to allow enforcement.

Fixed Charge Receivership

A fixed charge receiver (as opposed to an administrative receiver, who is appointed under certain floating charges) may be appointed over some or all of the assets secured by a fixed charge in accordance with the terms of a security document creating a fixed charge or (in limited circumstances) pursuant to statute under the Law of Property Act 1925, although it is standard market practice to augment the powers of any receiver appointed through the relevant security document.

If appointed under the terms of a security agreement, grounds for appointment under the terms of the charge (such as a default) must exist and the charging company must have failed to satisfy the demand made for an appointment to take place. A receivership is not a process pursuant to English insolvency laws as such and a fixed charge receivership can be run in parallel to a liquidation or an administration. However, an administrator may require a fixed charge receiver to vacate office unless that fixed charge receiver was appointed under a charge created or otherwise arising under a "financial collateral arrangement".

The primary duty of a fixed charge receiver is to realize the assets over which (s)he is appointed, meaning (s)he owes an over-riding duty of care to the appointor, although certain limited duties are also owed to the chargor. This contrasts with the duty of an administrator, who performs his/her duties in the interests of a company's creditors as a whole. In other words, receivership is a proprietary remedy whereas administration is a collective procedure. In realizing the charged assets, the receiver will need to take

reasonable care to obtain the best price obtainable in the circumstances. In doing so, the fixed charge receiver will be entitled to a statutory indemnity in respect of any liabilities from the realizations made of the assets of the company (and may also have the benefit of a contractual indemnity from the appointor).

Scheme of Arrangement

Although not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006 (the "**Companies Act**") the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors). The English Subsidiary Guarantor may be able to propose a scheme in respect of its financial liabilities as would any other subsidiary guarantor **provided that** there is "sufficient connection" with the UK (which can include English law documents).

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% or more by value of those creditors present and voting at the meeting(s) of each class of creditors vote in favor of the proposed scheme, irrespective of the terms and approval thresholds contained in the finance documents, then that scheme will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote and those who voted against the scheme. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the scheme and consider whether it is reasonable. The court has discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or refuse to sanction the scheme. In exercising its discretion to sanction a scheme of a foreign obligor, the court will need to be satisfied that the scheme of arrangement would have substantial effect in the jurisdictions in which the company has its main assets or operations, in the jurisdictions of any other obligors of the debt and under the governing law the affected debt documents (if not English law). This is typically achieved by providing expert evidence that the scheme of arrangement (or its effect) is likely to be recognized in such jurisdictions. Once sanctioned, the scheme of arrangement binds all affected stakeholders whose rights will be as set out in the scheme of arrangement, which shall be effective (in accordance with its terms) upon delivery of the court's order sanctioning the scheme of arrangement to the Registrar of Companies.

Unlike an administration proceeding, the commencement of a scheme of arrangement does not automatically trigger a moratorium of claims or proceedings (see "— *Restructuring Plan*" below).

Restructuring Plan

A restructuring plan is a procedure under Part 26A of the Companies Act which allows the English courts to effect a compromise of a company's liabilities between a company and its creditors (or any class of its creditors). While generally available to the same domestic and foreign companies as schemes of arrangement, a company seeking to enter into a restructuring plan process must show that (a) it has encountered, or is likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern, and (b) a compromise or arrangement has been proposed between the company and its creditors (or any class of them) whose purpose it is to eliminate, reduce or prevent, or mitigate the effect of, any of those financial difficulties.

A restructuring plan may be proposed by the debtor company, any creditor of the company or any liquidator or administrator appointed to the company. As with a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in respect of their claims in a single class or in a number of classes depending on the rights of such creditors which will be affected by the proposed restructuring plan and any new rights that such creditors are given under the restructuring plan.

A restructuring plan will be deemed to be approved if at least 75% in value of the creditors present and voting at the meeting of at least one class of creditors vote in favor of the proposed compromise. There is no requirement for the approving creditors to constitute a majority in number of those creditors present and voting, and there is crucially no requirement for each and every voting class to approve of the plan, **provided that** the court is satisfied that (a) none of the members of a dissenting class would be any worse off if the restructuring plan were to be sanctioned than they would be in the event of the 'relevant alternative' and (b) the restructuring plan was approved by at least one class of creditors who would receive a payment or have a genuine economic interest in the company in the event of the 'relevant alternative'. The 'relevant alternative' for the purposes of this assessment is whatever the court considers would be most likely to occur in relation to the company if the restructuring plan were not sanctioned. By virtue of these mechanics, the restructuring plan process provides for the possibility of a 'cross-class cram-down', meaning the courts may sanction a restructuring plan even if one or more classes of affected creditors do not vote in favor of the restructuring plan, effectively allowing the vote of one class of stakeholders to bind other classes.

Following approval of the restructuring plan at the creditor meeting(s), the restructuring plan needs to be sanctioned by the court at a sanction hearing where the court will review whether the applicable statutory conditions have been met and may also consider whether the restructuring plan is just and equitable. The court has discretion as to whether to sanction the restructuring plan as approved, make an order conditional upon modifications being made or refuse to sanction the restructuring plan. Once sanctioned, the restructuring plan binds all affected stakeholders whose rights will be as set out in the restructuring plan, which shall be effective (in accordance with its terms) upon delivery of the court's order sanctioning the restructuring plan to the Registrar of Companies.

As with schemes of arrangement, the commencement of a restructuring plan process does not automatically trigger a moratorium of claims or proceedings.

Moratorium

The Corporate Insolvency and Governance Act 2020 (the "**CIGA**") introduced a standalone moratorium to enable the company to seek rescue options and reach an agreement with its creditors to facilitate a restructuring.

Subject to certain exclusions and meeting requisite conditions, any company that is liable to be wound up under the UK Insolvency Act is eligible for a moratorium. Ineligible companies include certain financial services companies (including insurance and securitization companies as well as parties to capital market arrangements). Directors of any eligible non-overseas company may commence a moratorium by filing the requisite papers at court (known as the out-of-court-process). Companies subject to an outstanding winding up petition must apply to court for an order granting the moratorium, which will only be granted if the court is satisfied that the moratorium will result in a better result for the company's creditors as a whole than winding up without one (known as the in-court-process). In addition, overseas companies must always use the in-court process.

Both in- and out-of-court processes involve a statement from the directors of the company that, in their view, the company is, or is likely to become, unable to pay its debts. Furthermore, a monitor, who is an insolvency practitioner appointed to oversee the moratorium, must separately confirm (among other things) that the moratorium would likely result in the rescue of the company as a going concern. This is an ongoing requirement in order for a moratorium to continue; indeed, a monitor must terminate the moratorium if, at any time, it becomes apparent that the company is unlikely to be rescued as a going concern and/or keep up with its required payments.

During a moratorium, creditors are restricted from taking enforcement measures against the company, including commencing insolvency and other legal proceedings and enforcing security without the leave

of the monitor or the court. The CIGA includes a carve-out for enforcement of security financial collateral (or the taking of any step to enforce a collateral security charge), which are permitted. In contrast to a moratorium arising from an administration, a floating charge may not be crystallized during this new moratorium, nor may any restrictions on the disposal of a floating charge asset be imposed.

A company subject to a moratorium has the benefit of a payment holiday in relation to certain debts incurred prior to the commencement of the moratorium. However, certain other debts, including those which arise under a contract or other instrument involving financial services (which would include capital market arrangements) entered into or incurred prior to the moratorium, are exempted from payment holidays and such liabilities are therefore required to be met as and when they fall due. In addition, the company must continue to pay 'moratorium debts' i.e., debts and liabilities to which the company becomes subject during or after the moratorium by reason of an obligation incurred during the moratorium. Failure to pay such liabilities, plus any debt incurred during the moratorium, which arise or become payable during the moratorium will compel the monitor to end the moratorium.

Costs incurred during a moratorium will be treated in the same way as expenses in an administration. Where a company exits a moratorium and subsequently enters into administration or liquidation within a 12-week period, any unpaid moratorium debts and any pre-moratorium debts for which the company did not have a payment holiday (excluding financial debt accelerated during the moratorium), as well as any prescribed fees or expenses of the official receiver acting in any capacity in relation to the company, will have super-priority over any costs or claims in the administration or liquidation (except for claims of fixed charge creditors to the extent such creditors can be paid out of the assets charged).

A moratorium will last for an initial period of 20 business days, which may be extended for a further 20 business days by the directors of the company. Where an extension is proposed, statements from the directors and the monitor must be filed with the court confirming that the qualifying conditions continue to be met. Further extensions (beyond 40 business days) will be available:

- Pursuant to an out-of-court filing for a period of up to one year from commencement, if more than 50% (by value) of secured and more than 50% (by value) of unsecured creditors vote in favor of the extension, unless in both cases, more than 50% (by number) of unconnected secured and unsecured creditors vote against the extension. Only creditors with pre-moratorium debt in respect of which the company has a payment holiday, which has fallen due or may fall due before the proposed revised end date of the moratorium, will have the right to vote;

- Pursuant to an application by the directors to court for such period as the court sees fit;

- In connection with a company voluntary arrangement until the proposal is implemented, accepted or rejected by creditors or withdrawn by the company; and

- At the court's discretion in connection with a scheme of arrangement or restructuring plan.

Liquidation/Winding-up

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the UK Insolvency Act. Once the liquidator has completed this task, the company is dissolved and removed from the register of companies.

There are two forms of winding-up: (a) compulsory liquidation, by order of the court; and (b) members' voluntary liquidation or creditors' voluntary liquidation, in each case by resolution of the company's members. The difference between the two voluntary proceedings is the solvency of the company in question; in a members' voluntary liquidation, the directors of the company swear a statutory declaration

as to the company's solvency over the following 12 months whereas the primary ground for the creditors' voluntary liquidation of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the UK Insolvency Act). Note that while a creditors' voluntary liquidation (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, once in place the process is subject to some degree of control by the creditors. Whereas compulsory liquidation and creditors' voluntary liquidation proceedings are available to foreign companies, the tests for establishing jurisdiction are slightly different. For a compulsory liquidation, all that is required is that there is "sufficient connection"with the relevant UK jurisdiction. This can involve assets or creditors in the UK or English law governed agreements. For a voluntary liquidation, either the COMI must be in the UK or the COMI must be in the EU with an establishment (very broadly, a branch office) in the UK.

The effect of a compulsory winding-up differs in a number of respects from that of a voluntary winding-up. In a compulsory winding up, under Section 127 of the UK Insolvency Act any disposition of the relevant company's property made after the commencement of the winding up is, unless sanctioned by the court, void. However, this will not apply to any property or security interest subject to a disposition or created or otherwise arising under a "financial collateral arrangement" under the Financial Collateral Arrangements Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced at the time of the presentation of the winding up petition. Once a winding up order is made by the court, a stay of all proceedings against the company will be imposed. No action or proceeding may be continued or commenced against the company without permission of the court and subject to such terms as the court may impose although there is no freeze on the enforcement of security.

In the context of a voluntary winding up, however, there is no equivalent to the retrospective effect of a winding-up order; the winding-up commences on the passing of the resolution to wind up. As a result, there is no equivalent of Section 127 of the UK Insolvency Act. There is also no automatic stay in the case of a voluntary winding-up — it is for the liquidator, or any creditor or contributory of the company, to apply for a stay to prevent the continuation of legal proceedings and enforcement of security.

A liquidator has the power to bring or defend legal proceedings on behalf of the company, to carry on the business of the company as far as it is necessary for its beneficial winding up, to sell the company's property (**provided that** in respect of the sale of any property that is secured by a fixed charge in favor of a creditor, if that sale is made without the secured creditor's consent, it will be made subject to that security, as the creditor's consent will be needed to release the security) and execute documents in the name of the company and to challenge antecedent transactions. At the end of the liquidation process the company will be dissolved.

Under the UK Insolvency Act, with some exceptions, a liquidator has the power to disclaim any onerous property, which is any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power does not apply to a contract where all the obligations under which have been performed, nor can it, be used to disturb accrued rights and liabilities of any other person. If a contract is disclaimed, the contractual counterparty has a right to sue for damages in respect of the terminated contract. In addition, the power to disclaim onerous property does not apply, where the collateral-provider or collateral-taker under the arrangement is being wound up, to any financial collateral arrangement.

Company Voluntary Arrangements

Pursuant to Part I of the UK Insolvency Act, a company (by its directors or its administrator or liquidator as applicable) may propose a company voluntary arrangement (the "**CVA**") to the company's

shareholders and creditors which entails a compromise, or other arrangement, between the company and its creditors, typically a rescheduling or reducing of the company's unsecured debts. Though it does not result in the insolvency of a company, a CVA is implemented under the supervision of an insolvency practitioner who will act as the nominee before the CVA proposals are approved, and as the supervisor afterwards. **Provided that** the proposal is approved by the requisite majority of creditors by way of a decision procedure, it will bind all unsecured creditors who were entitled to vote in the decision procedure or who would have been entitled to vote if they had had notice of the decision procedure. A CVA cannot affect the right of a secured creditor to enforce its security, except with its consent. Shareholders of the company will also be asked to vote on the CVA but whether or not they vote in favor, the CVA will be implemented if the requisite majority of creditors approve the proposal.

Priority of Claims on Insolvency

One of the primary functions of liquidation (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the insolvent company and to distribute the proceeds from those assets to its creditors. Under English insolvency law, creditors are placed into different classes and, with the exceptions and adjustments noted below, the proceeds from the realization of the insolvent company's property are applied in descending order of priority, as set out below. With the exception of the Prescribed Part (as defined below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise with the company, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

After a company goes into liquidation (and following notice that an administrator intends to make a distribution to creditors), contractual set-off arrangements are only respected to the extent they fall within the definition of "mutual dealing" as applied by the mandatory insolvency set-off regime. This regime sees an account being taken of what is due from each party to the other in respect of their mutual dealings, and only the resulting net balance is either provable by the creditor in the administration or liquidation of the company (if amounts remain due to the creditor) or, conversely, is payable by the creditor to the company (if amounts remain due to the company). Certain amounts are excluded from the account (such as any post liquidation or post administration interest), and there are certain mandatory rules for the conversion of foreign currency claims and the granting of security (amongst other things) over the relevant claims will destroy mutuality for these purposes.

The general priority of claims on insolvency is as follows (in descending order of priority):

- *First ranking*: holders of fixed charge security (but only to the extent the value of the secured assets cover that indebtedness) and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor but only to the extent the realizations from those secured asserts or with respect of the asset in which they have a proprietary interest (less the costs of realization).

- *Second ranking*: where winding-up procedures are begun within 12 weeks following the end of any Moratorium pursuant to Part A1 of the Insolvency Act, prescribed fees and expenses of the official receiver (if applicable), unpaid moratorium debts and unpaid priority pre-moratorium debts.

- *Third ranking*: expenses of the insolvent estate incurred during the relevant insolvency proceedings, including the remuneration of the insolvency practitioner and (there are statutory provisions setting out the order of priority in which expenses are paid).

- *Fourth ranking*: ordinary preferential creditors, whose debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension

schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date; and (iv) bank and building deposits eligible for compensation under the Financial Services Compensation Scheme ("**FSCS**") up to the statutory limit. As between one another, ordinary preferential debts rank equally.

- *Fifth ranking*: secondary preferential creditors, which include (but are not limited to) bank and building deposits eligible for compensation under the FSCS to the extent that claims exceed the statutory limit, claims by HM Revenue and Customs in respect of certain taxes including VAT, PAYE income tax, employee NI contributions, student loan repayments and Construction Industry Scheme deductions (but excluding corporation tax and employer NI contributions) which are held by the company on behalf of employees and customers. Secondary preferential debts rank equally among themselves after the existing categories of ordinary preferential debts.

- *Sixth ranking*: holders of floating charge security, to the extent of the realizations from those secured assets, according to the priority of their security. This would include any security interest that was stated to be a fixed charge in the document that created it but which, on a proper interpretation by the court, was rendered a floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors; (see "— *Prescribed Part*").

- *Seventh ranking*: unsecured creditors, in the following order:

- First, provable debts of unsecured creditors (save where such creditors are deferred under section 74(2)(f) of the UK Insolvency Act) and any secured creditor to the extent of any unsecured shortfall, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. These debts rank equally among themselves unless there are subordination agreements in place between any of them. To pay the secured creditors any unsecured shortfall, the insolvency officeholder can only use realizations from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part unless the Prescribed Part is sufficient to pay out all unsecured creditors in full or the secured creditor elects to surrender its security;

- Secondly, interest on the company's unsubordinated debts (at the higher of the applicable contractual rate and the rate determined in accordance with the Judgments Act 1838 (currently 8% per annum)) in respect of any period after the commencement of liquidation, or after the commencement of any administration which had been converted into a distributing administration. However, in the case of interest accruing on amounts due under the Notes or the Subsidiary Guarantees, such interest due to the holders of the Notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries.

- Thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid. However, this does not include "currency conversion" claims following the UK Supreme Court's Lehman Brothers ruling dated 17 May 2017.

- *Eighth ranking*: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Foreign Currency of Debt

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, any debt of a company payable in a currency other than British pounds sterling must be converted into

British pounds sterling at the "official exchange rate" prevailing at the date when the debtor went into liquidation or administration. This provision overrides any agreement between the parties. If a creditor considers the rate to be unreasonable, they may apply to the court.

The "official exchange rate" for these purposes is the middle exchange rate on the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that the English Subsidiary Guarantor (or any other subsidiary guarantor whose COMI is situated in England and Wales) goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that the Company or such subsidiary guarantor (as the case may be) went into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled. Any losses resulting from currency fluctuations are not recoverable from the insolvent estate.

Onset of Insolvency

The date of the Onset of Insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below) depends on the insolvency procedure in question.

In an administration, the Onset of Insolvency is the date on which: (a) the court application for an administration order is issued; (b) the notice of intention to appoint an administrator is filed at court; or

(c) otherwise, the date on which the appointment of an administrator takes effect. In a compulsory liquidation, the Onset of Insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes the relevant winding-up resolution. Where liquidation follows administration, the Onset of Insolvency will be the same as for the initial administration.

Challenges to Guarantees and Security

There are circumstances under English insolvency law in which the granting of security and guarantees by any company that could be subject to English insolvency proceedings can be challenged. In most cases this will only arise if an administrator or liquidator is appointed to the company within a specified period (as set out in more detail below) of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to the Company or any subsidiary guarantor, the administrator or liquidator may challenge the validity of the security or guarantee given by such company.

The following potential grounds for challenge may apply to charges and guarantees:

Transactions at an Undervalue

Under English insolvency law, a liquidator or administrator could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction or as a result of the transaction, the English company is or becomes insolvent (as defined in the UK Insolvency Act). The transaction can be challenged if the company grants the security interest or the guarantee within a period of two years prior to the Onset of Insolvency. A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. A court, however, generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If

the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the UK Insolvency Act), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the company in such proceedings. An order by the court for a transaction at an undervalue may affect the property of, or impose any obligation on, any person whether or not they are the person with whom the company entered into the transaction, but such an order will not prejudice any interest in property which was acquired from a person other than the company in good faith and for value or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the transaction in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the person was a party to the transaction.

Preference

Under English insolvency law, a liquidator or administrator could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) if such liquidator or administrator believed that the creation of such security interest or such guarantee constituted a preference. It will only be a preference if at the time of the transaction or as a result of the transaction the company is unable to pay its debts (as defined in Section 123 of the UK Insolvency Act). The transaction can be challenged if the company grants the security interest or the guarantee within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) prior to the Onset of Insolvency. A transaction may constitute a preference if it has the effect of putting a creditor of the company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction was a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could include reducing payments under the Notes and the Guarantees (although there is protection for a third-party who enters into a transaction in good faith and without notice). For the court to determine a preference, however, it must be shown that the company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was insolvent and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person (except where such beneficiary is a connected person by reason only of being the company's employee), in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence. An order by the court for a preference may affect the property of, or impose any obligation on, any person whether or not they are the person to whom the preference was given, but such an order will not prejudice any interest in property which was acquired from a person other than the company in good faith and for value or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the preference in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the payment is to be in respect of a preference given to that person at a time when they were a creditor of the company.

Transaction Defrauding Creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction and is not therefore limited to liquidators or administrators. There is no time limit in the English insolvency law

within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. The fact that the transaction was not entered into with a dishonest motive is no defense to the claim. It will suffice that the company's subjective purpose was to place the assets out of the reach of creditors or a particular creditor. There is no need to show that the intention was the sole purpose and a substantial purpose is likely to suffice. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances and will not require a person who received a benefit from the transaction in good faith, for value and without notice of the relevant circumstances, to pay any sum unless such person was a party to the transaction.

Grant of Floating Charge

Under English insolvency law, if a company in administration or liquidation grants a floating charge within a period of 12 months prior to the Onset of Insolvency (or two years if the parties are connected), then such floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge. If the floating charge is granted to an unconnected person, it can only be challenged if the grantor was insolvent (for the purposes of Section 123 of the UK Insolvency Act) at the time of (or as a result of) granting the floating charge but this requirement does not apply where the floating charge is granted to a connected person.

An administrator, or a liquidator (as applicable), does not need to apply to court for an order declaring that a floating charge is invalid. Any floating charge created during the relevant time period is automatically invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge (plus certain interest).

Dispositions in Winding-up

Under Section 127 of the UK Insolvency Act, any dispositions of a company's property made after a winding-up has commenced is, unless the court orders otherwise, void. However, this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Arrangements Regulations and will not prevent a close-out netting provision from taking effect in accordance with its terms. The compulsory winding-up of a company is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date that the court makes the winding-up order (if any).

Extortionate Credit Transactions

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. A credit transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

It is presumed, unless otherwise proved by the person extending the credit, that a transaction with respect to which an administrator or liquidator makes an application to set aside an extortionate credit transaction is extortionate. The court can make an order in relation to extortionate credit transactions entered into by a company up to three years before the day on which a company entered administration or liquidation.

That order may set aside, either in whole or in part, any obligation created by the transaction (which could include obligations of sureties). It may also vary the terms of the transaction or the terms of any security for the purposes of the transaction, the court may require any party to the transaction to repay to the liquidator or administrator sums already paid under the transaction and it may order the surrender of any security held for the purpose of the transaction. It should be noted that there are no provisions for the protection of third parties who acquire interests in the extortionate credit transaction (e.g., assignees of the benefit of the transaction from the person who provided credit under it).

Connected Persons

"Connected person" is defined by the UK Insolvency Act. The fact that the parties are connected can have various consequences. For example, in the case of a preference, the "look back" period (in which the transaction must have occurred prior to the Onset of Insolvency) is increased from six months to two years and, in the case of a floating charge for no new value, the "look back" period is increased from 12 months to two years. Furthermore, certain statutory presumptions arise where the parties are connected (so for example the debtor is presumed to have been influenced by a desire to prefer the counterparty where the parties are connected). Finally and most significantly, the solvency defense is not available in respect of the challenge of a floating charge for no new value where the parties are connected. However, if the floating charge qualifies as a "security financial collateral agreement" under the Financial Collateral Arrangements, the floating charge will not be subject to challenge as described in this paragraph.

If a given transaction at an undervalue, preference or invalid floating charge has been entered into by the company with a "connected person", then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out above). A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences or invalid floating charges, is a party who is: (a) a director of the company; (b) a shadow director; (c) an associate of such director or shadow directors; or (d) an associate of the relevant company.

A party is associated with an individual if they are: (a) a relative of the individual; (b) the individual's husband, wife or civil partner; (c) a relative of the individual's husband, wife or civil partner; (d) the husband, wife or civil partner of a relative of the individual; or (e) the husband, wife or civil partner of a relative of the individual's husband, wife or civil partner. A person is an associate of any person with whom he is in partnership and of the husband, wife or civil partner or relative of any individual with whom he is in partnership. A party is associated with a company if they are employed by that company (and in this case, directors of a company are treated as employees of that company). A person is also an associate of any person whom he employs. A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

A person is to be taken as having control of a company if the directors of the company or of another company which has control of it (or any of them) are accustomed to act in accordance with his directions or instructions, or he is entitled to exercise, or control the exercise of, one third or more of the voting power at any general meeting of the company or of another company which has control of it. Where two or more persons together satisfy either of these conditions, they are to be taken as having control of the company.

The most common way of parties to become connected in the context of commercial transactions is by way of share security (where the lender may have control over the voting rights in respect of the shares upon a default) or by having common directors.

Security over Shares

Security (other than by way of a legal mortgage) over shares granted by a company, under English law, are equitable charges, not legal charges. An equitable charge arises where a charging company creates an encumbrance over the property in favor of the chargee but the charging company retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or may otherwise be at the discretion of the court.

The validity of share security and the ability of secured parties to enforce security interests over shares may additionally be affected by a failure of the charging company or related parties or (in certain circumstances) the secured parties to comply within the relevant timeframes with the disclosure and notification obligations under English company statutes in respect of persons with significant control and relevant legal entities.

Security over Bank Accounts

With respect to any security over bank accounts (each an "**Account Charge**") granted by a company, the banks with which some of those accounts are held (each an "**Account Bank**") may have reserved their right at any time (at least prior to them being notified of a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with the company. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's rights to exercise netting and set-off with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the English company) and the Account Bank has been formally notified of that fact, the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights unless the Account Bank has expressly reserved set-off rights in such circumstances.

Limitation on Enforcement

Under English law, the grant of a Guarantee or other form of security by a company in respect of the obligations of another group company must satisfy certain legal requirements. Among other requirements, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that these documents do not allow such an action, there is the risk that the grant of the guarantee or other security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with the company in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for the company by virtue of entering into the proposed transaction. Section 172 of the Companies Act provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Section 172(3) of the Companies Act additionally provides that, in certain circumstances, the directors need to consider or act in the interests of the creditors of the company. While the statutory provisions do not prescribe when this shift arises, the English courts have held that it takes place when the directors know, or should know, that the company in question is or is likely to become insolvent, with "likely" in this context meaning "probable".

Security and/or guarantees granted by a company may also be subject to potential limitations to the extent they would result in unlawful financial assistance contrary to English company law.

Security Registration

Under English company law, subject to limited exceptions, a certified copy of any security document pursuant to which a charging company incorporated in England and Wales grants security (including security governed by law other than English law) (together with prescribed particulars of the relevant security) may be delivered to the Registrar of Companies for registration within 21 days after the date of creation of the relevant security interest (the "**Registration Period**"). While the Companies Act does not impose an obligation as such on English companies to register security, security will be deemed to be void against a liquidator, administrator and any creditor of the applicable charging company if not registered within the Registration Period. When security becomes so void, the debt which was intended to be secured by such security is deemed to become immediately payable. In limited circumstances, it may be possible to apply to the English courts for an order to rectify a failure to register and allow the relevant charge to be registered after the Registration Period has expired.

The Financial Collateral Arrangements Regulations exempt certain charges over financial collateral from registration with the Registrar of Companies. Security created by overseas companies over assets in England and Wales similarly does not need to be registered with the Registrar of Companies, although registration with applicable asset registries may still be required depending on the nature of the collateral assets.

As outlined above, certain of the insolvency processes available in England and Wales provide for the automatic or optional moratorium imposing a period of time during which third parties including creditors are unable to institute or continue legal action against the company, enforce certain rights and/or call upon security or guarantees. Besides the moratorium available to companies undergoing administration (see "— *Administration*" above), moratoriums are also available to companies entering liquidation (see "— *Liquidation/Winding-up*" above) and pursuant to the moratorium procedure under Part A1 of the Insolvency Act (see "— *Moratorium*" above).

The CIGA inserted a new permanent measure for the protection of supplies of goods and services into the Insolvency Act. The measure provides that a provision of a contract for the supply of goods or services which permits the supplier to terminate the contract or the supply, or do any other thing (e.g. impose amended terms), on the grounds that the counterparty becomes subject to a relevant insolvency procedure, will be void. A relevant insolvency procedure for this purpose includes winding-up proceedings, administration, the standalone moratorium and the new restructuring plan procedure, but not a scheme of arrangement. Other rights to terminate under the contract (i.e. other than as a result of the counterparty being subject to a relevant insolvency procedure) are preserved, to the extent the termination right arises after commencement of the insolvency proceeding. A supplier may be allowed to terminate the contract if the company or the relevant insolvency practitioner consents or if permission is granted by the court on it being satisfied that the continuation of the contract would cause the supplier hardship.

The restrictions do not apply to a range of contracts involving financial services or entities involved in the provision of financial services, including contracts for the provision of lending, financial leasing or guarantees, contracts for the purchase, sale or loan of securities or commodities and agreements which are, or form part of, arrangements involving the issue of a capital market investment (as defined in the UK Insolvency Act).

Corporate Authorizations and Maintenance of Capital

The legality, validity and enforceability of the obligations of the Company and any subsidiary guarantor under the Notes, the Guarantees and any future security taken over the Notes are subject to matters affecting companies generally, including that: (i) its entry into and performance of such obligations: (a) are not prohibited by its constitutional documents (or contracts to which it is party); and (b) have been

duly authorized and do not breach or result in inconsistency with applicable laws or regulations; and (c) the documents evidencing such obligations have been duly executed and delivered in accordance with all applicable procedures and laws. In addition, the granting of upstream (or cross-stream) guarantees or security by a company could be subject to challenge if it results in a reduction in that company's net assets as properly recorded in its books or, to the extent that it does, the company does not have sufficient distributable reserves to cover that reduction.

Cross-border recognition of English insolvency and restructuring proceedings

The recognition of English insolvency and restructuring proceedings in other jurisdictions is governed by applicable treaties in respect of the mutual recognition (or otherwise) of courts' jurisdiction, proceedings and judgments and general principles of private international law such as comity and conflicts of laws rules applicable in the relevant jurisdictions.

One of the key insolvency-related treaties is the UNCITRAL Model Law on Cross-Border Insolvency (the "**Model Law**"), which has been adopted in a number of jurisdictions, including the United States and Great Britain, where it was implemented by the Cross-Border Insolvency Regulations. The Model Law provides for recognition of certain British insolvency proceedings in other signatory states as either foreign main proceedings (if the COMI of the relevant debtor is determined to be in Great Britain) or foreign non-main proceedings (if the COMI is determined to be in another jurisdiction but the debtor has an establishment in Great Britain) upon application by the relevant insolvency officeholder. The nature and scope of the recognition will depend on the way that the Model Law has been implemented into the domestic law of the jurisdiction in question. Conversely, the Cross-Border Insolvency Regulations provide for recognition in the UK of foreign insolvency proceedings as either main proceedings (if the proceedings are taking place in the jurisdiction where the debtor has its COMI) or non-main proceedings (if the proceedings are taking place in a jurisdiction in which the debtor has only an establishment). If foreign insolvency proceedings are recognized under the Cross-Border Insolvency Regulations, there will be a moratorium that is equivalent to the stay that arises in an English liquidation (i.e., a stay on the commencement or continuation of proceedings but not the enforcement of security). The foreign representative of the debtor can apply for wider relief (such as a stay on the enforcement of security) but this is at the discretion of the English court. The English court has held that only procedural relief (such as stays) are available under the Cross-Border Insolvency Regulations; the English court cannot recognize or give effect to a foreign insolvency judgment under these regulations.

The recognition of English courts' jurisdiction and orders in respect of schemes of arrangement, which are restructuring rather than insolvency proceedings, will be subject to treaties regarding matters relating to the jurisdiction of courts in civil proceedings and the enforcement of civil judgments such as the Hague Convention on Choice of Court Agreements 2005 (the "**Hague Convention**") where applicable. On 27 June 2024, the UK Government ratified the Hague Convention of 2 July 2019 on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (the "**Hague Convention 2019**"), which will come into force 12 months after ratification and apply to judgments in proceedings commenced after that date. In addition, recognition may still be available under principles of private international law and Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations ("**Rome I**").

The recognition of English courts' jurisdiction and orders in respect of restructuring plans is a developing area of law. It remains to be seen whether restructuring plans will fall within the scope of treaties regarding matters relating to the jurisdiction of courts in civil proceedings and the enforcement of civil judgments such as the Hague Convention (or the Hague Convention 2019), or whether they will be treated more akin to insolvency and restructuring proceedings and fall within related exceptions to such treaties.

Recognition in the EU

UK proceedings no longer benefit from automatic and guaranteed recognition in EU Member States. As the trade and cooperation terms agreed between the EU and the UK do not include a replacement regime

for the current automatic recognition of UK insolvency procedures across the EU (and vice versa) or otherwise address insolvency matters, cross-border insolvencies involving the UK and one or more EU Member States will be subject to a degree of uncertainty and increased complexity.

Unless or until a mutual recognition agreement is reached in the future, it is likely to be more problematic for UK restructuring and insolvency proceedings to be recognized in EU Member States and for UK office holders to effectively deal with assets located in EU Member States. The general position outlined above will apply and recognition will depend on the private international law rules adopted in the relevant EU Member State and the need may well arise to open parallel proceedings, increasing the element of risk as well as costs. In particular in cases where the appointment of a UK office holder is made in reliance on a UK domestic approach rather than the COMI rules, it is much less certain that such appointment will be recognized in EU Member States. To the extent relevant proceedings are deemed to fall within the remit of contract law, Rome I may offer an alternative basis for recognition in EU Member States.

As a consequence, the recognition of English insolvency and restructuring proceedings across the EU Member States may be different from what investors may have experienced in the past when the UK was a member state of the EU. It is not possible to predict with certainty if and to what extent proceedings will be recognized and whether investors may be adversely affected as a result.

Assignments

Any assignment of a debt or other chose in action, including by way of security, can only take effect as a legal assignment under Section 136 of the Law of Property Act 1925 if it meets the requirements of that provision, which are: (i) the assignment must be in writing; (ii) the assignment must be absolute and not purporting to be by way of charge only; and (iii) notice of the assignment must be given to the underlying obligor. If any of these requirements is not satisfied, the assignment may still constitute a valid equitable assignment. Equitable assignments, including by way of security, are subject to certain limitations, including, without limitation: (i) where an equitable interest is followed by a legal interest, the subsequent legal interest will take priority if the holder acquired it for value without notice of the equitable interest; and (ii) the priority of dealings in most equitable interests is determined by the time at which notice of such interest is given to the underlying obligor or to the person in control of that equitable interest. The first to give notice will take priority, if that person does not have actual or constructive notice of the prior interest and has given consideration for his or her interest.

Share Mortgages

A mortgage of shares can only take effect as a legal mortgage if the relevant transfers of shares are registered, although it may still give rise to a valid equitable security interest.

Person with Significant Control ("PSC") Regime

Pursuant to the new Part 21A of the Companies Act (and related Schedules 1A and 1B to the Companies Act), from 6 April 2016 certain UK incorporated companies, *societates europaeae* and limited liability partnerships (for the purposes of this paragraph, each a relevant company) must keep a register of certain registrable individuals and legal entities that have significant control over them. Failure of such registrable individuals or legal entities or other persons specified in Part 21A of (and Schedule 1B to) the Companies Act (for the purposes of this paragraph, each a notifying party) to comply with the requirements of that Part may give relevant companies the right to issue a restrictions notice to such notifying party for the purposes of Schedule 1B to the Companies Act. Subject to certain exceptions, the effect of a restrictions notice is that in respect of any relevant interest in the relevant company (as defined in Schedule 1B to the Companies Act, for example, a share in the relevant company): (a) any transfer of (or agreement to transfer) the interest is void; (b) no rights are exercisable in respect of the interest; (c) no shares may be issued in right of the interest or in pursuance of an offer made to the interest-holder; and

(d) except in a liquidation, no payment may be made of sums due from the relevant company in respect of the interest, whether in respect of capital or otherwise. Such restrictions could adversely affect the validity of any future security interests over the security and the ability of a security agent to enforce its rights under English security documents.

National Security and Investments Act 2021

The National Security and Investments Act 2021 (the "**NSIA**") came into force in January 2022 as the UK's new national security screening regime. The NSIA gives the UK Government powers to scrutinize and intervene in transactions where control over certain entities or assets has been or will be 'acquired' and this may give rise to a national security risk in the UK. The powers are broad and could affect lenders and security agents when taking and enforcing security over shares or assets, particularly in the 17 designated sensitive sectors.

Application of Proceeds

The enforceability of a provision in a security document that relates to the application of proceeds will be subject to any obligations mandatorily preferred by applicable law.

Ranking

The description given by the parties to the ranking of security interests is not determinative of the ranking of those security interests.

Prescribed Part

An insolvency practitioner of the company (e.g., administrator, administrative receiver or liquidator) will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realizations) (the "**Prescribed Part**"). Under current law, this ring-fence applies to 50% of the first £10,000 of net floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £800,000 (except where the company's net property is available to be distributed to the holder of a first-ranking floating charge created before 6 April 2020, in which case the maximum aggregate cap is £600,000). Whether the assets that are subject to the floating charges and other security will constitute the whole of the relevant company's assets at the time that the floating charges are enforced will be a question of fact at that time. The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors.

The requirement for an insolvency practitioner to set aside a Prescribed Part of the company's property which is subject to a floating charge, and make it available for unsecured creditors, will not apply to any charge created or otherwise arising under a financial collateral arrangement (as described in the Financial Collateral Arrangements Regulations).

Foreign Laws

If, and to the extent that, an asset subject to security under a security document (or the obligor of any debt or other right against any person, which debt or right constitutes all or part of the property or rights subject to that security) is located in any jurisdiction other than England and Wales or is not governed by English law, the validity and priority of that security may be affected by any applicable foreign laws.

Third Party Rights

Security granted over debts from, or other rights against, third parties (including contracts and insurance policies) may be subject to any rights of those third parties.

Amendments

An English court may interpret restrictively any provision purporting to allow the beneficiary of a guarantee or other suretyship to make a material amendment to the obligations to which the guarantee or suretyship relates without further reference to the guarantor or surety.

RATINGS

The Notes are expected to be rated BB by Standard & Poor's Ratings Services and Ba3 by Moody's Investors Service as of the date of this offering memorandum. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment, circumstances so warrant. Additionally, other nationally recognized statistical ratings organizations may issue an unsolicited rating. If any such unsolicited ratings are issued, we cannot assure you that they will not be different from those ratings assigned by Moody's Investors Service or Standard and Poor's Ratings Services. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by (i) Clifford Chance as to matters of United States federal law, New York state law, English law, Australian law and Hong Kong law, and (ii) Shanghai Pacific Legal as to matters of the laws of the People's Republic of China.

Certain legal matters in connection with the offering will be passed upon for the Initial Purchasers by (i) Milbank (Hong Kong) LLP as to matters of United States federal law and New York state law, (ii) Walkers (Hong Kong) as to matters of Cayman Islands law and the laws of the British Virgin Islands and (iii) Zhong Lun Law Firm as to matters of the laws of the People's Republic of China.

INDEPENDENT AUDITORS

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

The unaudited interim condensed consolidated financial statements as of 30 June 2024 and for the six months ended 30 June 2023 and 2024 included in this offering memorandum have been reviewed by Ernst & Young, Certified Public Accountants, Hong Kong, as stated in their report appearing herein.

The consolidated financial statements as of and for each of the financial years ended 31 December 2021, 2022 and 2023 included in this offering memorandum have been audited by Ernst & Young, Certified Public Accountants, Hong Kong, as stated in their reports appearing herein.

LISTING AND GENERAL INFORMATION

Listing of the Notes

Application will be made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum. Listing of the Notes on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Company or the Subsidiary Guarantors or the Group or quality of disclosure in this offering memorandum.

Clearing system and settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

ISIN	Common Code
XS2971969287	297196928

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

The Legal Entity Identifier (LEI) code of the Company is 2138007WU5DJFZFDDV59.

Documents available

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes, the Intercreditor Agreement may be made available to Holders electronically via e-mail free of charge during normal business hours on any weekday (except public holidays) from the Trustee. For so long as any of the Notes is outstanding, copies of our Consolidated Financial Statements and the Data Privacy Notice, may be obtained during normal business hours on any weekday (except public holidays) at our principal place of business in Hong Kong at Suite 4007-09, 40/F, One Island East, Taikoo Place, 18 West Land Road, Quarry Bay, Hong Kong.

No material adverse change

Except as otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since 31 December 2023 that is material in the context of the issue of the Notes.

The Company

Health and Happiness (H&H) International Holdings Limited 健合(H&H)國際控股有限公司 was incorporated as an exempted company with limited liability in the Cayman Islands on 30 April 2010. As of 31 December 2023, the issued share capital of the Company amounts to HK$6.5 million divided into 645,561,354 ordinary shares with a par value of HK$0.01 each.

The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman KY1-1111, Cayman Islands.

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(1) The Unaudited Interim Condensed Financial Statements of the Group set out herein have been reproduced from the Company's interim report for the six months ended 30 June 2024 and page references are references to pages set forth in such interim report. The Audited Consolidated Financial Statements of the Group set out herein have been reproduced from the Company's annual reports for the years ended 31 December 2022 and 2023 and page references are references to pages set forth in such annual reports.

Report on Review of Interim Condensed Consolidated Financial Statements



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

INTRODUCTION

We have reviewed the interim financial information set out on pages 37 to 80, which comprises the condensed consolidated statement of financial position of Health and Happiness (H&H) International Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2024 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "*Interim Financial Reporting*" ("**IAS 34**") issued by the International Accounting Standards Board ("**IASB**"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Interim Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

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

27 August 2024

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	5	**6,692,132**	6,980,848
Cost of sales		**(2,619,838)**	(2,718,402)
Gross profit		**4,072,294**	4,262,446
Other income and gains	5	**118,231**	156,494
Selling and distribution costs		**(2,653,763)**	(2,641,137)
Administrative expenses		**(405,868)**	(412,437)
Other expenses		**(161,035)**	(104,135)
Finance costs	6	**(433,251)**	(357,996)
Share of losses of associates		**(12,669)**	(83)
PROFIT BEFORE TAX		**523,939**	903,152
Income tax expense	8	**(218,136)**	(295,138)
PROFIT FOR THE PERIOD		**305,803**	608,014
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	21	**49,029**	37,173
Reclassification adjustments for losses included in profit or loss		**(50,092)**	(56,935)
Income tax effect		**306**	9,279
		(757)	(10,483)
Hedge of net investments:			
Effective portion of changes in fair value of hedging instruments arising during the period	21	**44,387**	100,826
Exchange differences on translation of foreign operations		**(72,164)**	(31,269)
Exchange differences on net investment in foreign operations		**(10,544)**	53,024
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(39,078)**	112,098
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		**(1,494)**	4,063
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		**(40,572)**	116,161
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**265,231**	724,175
Profit attributable to owners of the parent		**305,803**	608,014
Total comprehensive income attributable to owners of the parent		**265,231**	724,175
		RMB (Unaudited)	RMB (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		**0.48**	0.95
Diluted		**0.48**	0.95

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**353,642**	369,545
Right-of-use assets	12(a)	**132,663**	141,202
Goodwill	13	**7,747,965**	7,820,522
Intangible assets	14	**5,469,922**	5,582,409
Deposits		**26,403**	28,903
Investment in associates		**122,281**	134,950
Deferred tax assets	24	**548,844**	580,624
Derivative financial instruments	21	**10,350**	48,057
Other non-current financial assets	15	**200,381**	202,358
Total non-current assets		**14,612,451**	14,908,570
CURRENT ASSETS			
Inventories	16	**1,879,022**	2,374,801
Trade and bills receivables	17	**1,054,116**	1,060,254
Prepayments, other receivables and other assets	18	**295,509**	247,113
Bonds receivable		**–**	78,592
Derivative financial instruments	21	**54,783**	927
Financial assets at fair value through profit or loss		**50,000**	–
Pledged deposits		**7,408**	7,430
Cash and cash equivalents		**2,379,094**	1,364,283
Total current assets		**5,719,932**	5,133,400
CURRENT LIABILITIES			
Trade payables	19	**996,514**	1,040,677
Other payables and accruals	20	**2,116,185**	2,216,061
Contract liabilities		**55,658**	200,461
Derivative financial instruments	21	**70,698**	103,924
Interest-bearing bank loans and other borrowings	22	**5,555,037**	4,289,907
Lease liabilities	12(b)	**30,079**	37,415
Senior notes	23	**152,141**	432,237
Tax payable		**127,504**	120,507
Dividend payables		**105,414**	–
Total current liabilities		**9,209,230**	8,441,189
NET CURRENT LIABILITIES		**(3,489,298)**	(3,307,789)

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,123,153**	11,600,781
NON-CURRENT LIABILITIES			
Senior notes	23	**1,960,526**	1,228,363
Interest-bearing bank loans and other borrowings	22	**1,835,380**	3,164,988
Other payables and accruals	20	**6,632**	6,119
Lease liabilities	12(b)	**58,860**	69,643
Derivative financial instruments	21	**11,672**	50,646
Deferred tax liabilities	24	**790,295**	785,798
Total non-current liabilities		**4,663,365**	5,305,557
Net assets		**6,459,788**	6,295,224
EQUITY			
Issued capital	25	**5,519**	5,519
Other reserves		**6,454,269**	6,188,111
Proposed dividend		**–**	101,594
Total equity		**6,459,788**	6,295,224

Luo Fei
Director

Wang Yidong
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2024

	Note	Issued capital RMB'000	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Share award reserve RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000	Cash flow hedge reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total equity RMB'000
At 31 December 2023 (Audited)		5,519	694,991*	(45,303)*	26,992*	16,208*	95*	382,665*	78,505*	(389,730)*	(1,217,025)*	2,000*	(67,898)*	6,706,611*	101,594	6,295,224
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	-	305,803	-	305,803
Other comprehensive income/(loss) for the period:																
Changes in fair value of equity investment designated at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	(1,494)	-	-	(1,494)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	-	(757)	-	-	-	(757)
Hedge of net investments	21	-	-	-	-	-	-	-	-	44,387	-	-	-	-	-	44,387
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(72,164)	-	-	-	-	-	(72,164)
Exchange differences on net investment in foreign operations		-	-	-	-	-	-	-	-	(10,544)	-	-	-	-	-	(10,544)
Total comprehensive income/(loss) for the period		-	-	-	-	-	-	-	-	(38,321)	-	(757)	(1,494)	305,803	-	265,231
Transfer of share option reserve upon the forfeiture or expiry of the share options		-	-	-	-	-	-	-	(7,933)	-	-	-	-	7,933	-	-
Equity-settled share award arrangements		-	-	7,623	-	(6,680)	-	-	-	-	-	-	-	3,339	-	4,282
Final 2023 dividend declared		-	-	-	-	-	-	-	-	-	-	-	-	(3,355)	(101,594)	(104,949)
At 30 June 2024 (Unaudited)		5,519	694,991*	(37,680)*	26,992*	9,528*	95*	382,665*	70,572*	(428,051)*	(1,217,025)*	1,243*	(69,392)*	7,020,331*	-	6,459,788

* These reserve accounts comprise the consolidated other reserves of RMB6,454,269,000 (31 December 2023: RMB6,188,111,000) in these interim condensed consolidated statement of financial position as at 30 June 2024.

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2024

	Note	Issued capital	Share premium account	Shares held for the share award schemes	Contributed surplus	Share award reserve	Capital surplus	Statutory reserve	Share option reserve	Exchange fluctuation reserve	Other reserve	Cash flow hedge reserve	Fair value reserve of financial assets at Fair value through other comprehensive income	Retained profits	Proposed dividend	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022 (Audited)		5,519	694,991	(61,777)	26,992	20,231	95	382,665	101,484	(518,217)	(1,217,025)	54,671	(42,001)	6,473,508	220,717	6,141,853
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	-	608,014	-	608,014
Other comprehensive income/(loss) for the period:																
Changes in fair value of equity investment designated at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	4,063	-	-	4,063
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	-	(10,483)	-	-	-	(10,483)
Hedge of net investments	21	-	-	-	-	-	-	-	-	100,826	-	-	-	-	-	100,826
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(31,269)	-	-	-	-	-	(31,269)
Exchange differences on net investment in foreign operations		-	-	-	-	-	-	-	-	53,024	-	-	-	-	-	53,024
Total comprehensive income/(loss) for the period		-	-	-	-	-	-	-	-	122,581	-	(10,483)	4,063	608,014	-	724,175
Equity-settled share option arrangements		-	-	-	-	-	-	-	2,826	-	-	-	-	-	-	2,826
Transfer of share option reserve upon the forfeiture or expiry of the share options		-	-	-	-	-	-	-	(3,839)	-	-	-	-	3,839	-	-
Equity-settled share award arrangements		-	-	16,474	-	(8,241)	-	-	-	-	-	-	-	1,120	-	9,353
Final 2022 dividend declared		-	-	-	-	-	-	-	-	-	-	-	-	4,972	(220,717)	(215,745)
At 30 June 2023 (Unaudited)		5,519	694,991	(45,303)	26,992	11,990	95	382,665	100,471	(395,636)	(1,217,025)	44,188	(37,938)	7,091,453	-	6,662,462

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**523,939**	903,152
Adjustments for:			
Bank interest income	5	**(6,911)**	(11,775)
Interest income from loans and bonds receivables	5	**–**	(1,374)
Finance costs	6	**433,251**	357,996
Share of losses of associates		**12,669**	83
Depreciation of property, plant and equipment	11	**34,117**	32,773
Depreciation of right-of-use assets	12	**19,815**	17,675
Amortisation of intangible assets	14	**94,209**	99,432
Loss on early termination of leases	7	**32**	–
Loss on disposal of items of property, plant and equipment and intangible assets	7	**1,519**	316
Equity-settled share option expense		**–**	2,826
Equity-settled share award expense		**4,282**	9,353
Fair value gains on derivative financial instruments, net	5	**(56,530)**	(29,333)
Fair value (gains)/ losses on financial assets		**(2,566)**	4,154
Impairment of trade receivables	7	**47**	1,393
Reversal of impairment of property, plant and equipment	7	**–**	(776)
Write-down of inventories to net realisable value	7	**82,766**	158,270
Net gain on partial repurchase of senior notes	5	**(398)**	(13,884)
Foreign exchange differences, net		**40,854**	(49,353)
		1,181,095	1,480,928
Decrease/(increase) in inventories		**404,217**	(219,353)
Increase in trade and bills receivables		**(6,573)**	(160,417)
Increase in prepayments, other receivables and other assets		**(52,282)**	(32,374)
Decrease/(increase) in rental deposits		**29**	(664)
Increase in restricted deposits		**(158)**	(6,670)
Decrease in trade payables		**(48,610)**	(367,089)
Decrease in other payables and accruals		**(104,602)**	(139,365)
Decrease in contract liabilities		**(148,730)**	(195,287)
Cash generated from operations		**1,224,386**	359,709
Corporate income tax paid		**(171,846)**	(337,640)
Net cash flows from operating activities		**1,052,540**	22,069

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash flows from operating activities		**1,052,540**	22,069
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(21,811)**	(28,469)
Purchases of items of intangible assets		**(6,921)**	(18,720)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**497**	7,345
Partial disposal of certain financial assets		**–**	1,076
Purchase of structured deposits		**(50,000)**	–
Receipt of bonds receivable		**78,592**	–
Decrease in time deposits with original maturity of three months or more when acquired		**–**	6,000
Interest received		**8,032**	13,459
Net cash flows from/(used in) investing activities		**8,389**	(19,309)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes	23	**906,794**	407,985
Payment of transaction costs for issue of senior notes and guaranteed bonds		**(52,093)**	(10,956)
Payment of transaction costs for exchange of senior notes		**–**	(59,254)
Redemption and repurchase of senior notes	23	**(428,444)**	(283,677)
Repayment of interest-bearing bank loans and repurchase of guaranteed bonds		**(2,040,794)**	(406,645)
New bank loans and guaranteed bonds		**1,889,998**	500,000
Payment of lease liabilities	12(b)	**(31,920)**	(18,416)
Interest paid		**(400,590)**	(348,303)
Proceeds from CCSs (as defined in note 21)	21	**43,234**	13,609
Proceeds from termination of certain CCSs		**27,111**	–
Net cash flows used in financing activities		**(86,704)**	(205,657)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**974,225**	(202,897)
Cash and cash equivalents at beginning of the period		**1,364,283**	2,297,660
Effect of foreign exchange rate changes, net		**40,586**	42,961
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**2,379,094**	2,137,724
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,378,667**	2,076,169
Non-pledged time deposits with original maturity of less than three months when acquired		**427**	61,555
Cash and cash equivalent as stated in the interim condensed consolidated statement of financial position and interim condensed consolidated statement of cash flows		**2,379,094**	2,137,724

Notes to Interim Condensed Consolidated Financial Statements

30 June 2024

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 2024 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 2023, 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 2023.

Going concern

As at 30 June 2024, the Group recorded net current liabilities of RMB3,489.3 million, which was mainly resulted from certain portion of interest-bearing bank loans and other borrowings, amounted to RMB5,555.0 million in total, which will be due for repayment in the coming 12 months (the "**Borrowings**").

The Group is in the process of refinancing the Borrowings by a new syndicated loan. Up to the date of approval of these unaudited interim condensed consolidated financial statements, the Group has utilized refinancing term loan facilities in the principal amount of equivalent USD150.0 million (approximately RMB1,090.1 million) and obtained a written commitment letter from certain financial institutions in relation to certain refinancing facilities in the aggregate amount of USD560.0 million (approximately RMB3,991.0 million). Therefore, the directors of the Company believe that the Group will be able to secure the refinancing of the Borrowings in due course. At the same time it will be able to continue to generate positive cash flows from its operations before the Borrowings falls due. On this basis, the directors of the Company consider that the Group is able to meet in full its financial obligations as they fall due in the coming 12 months. Accordingly, the unaudited interim condensed consolidated financial statements have been prepared by the directors of the Company on a going concern basis.

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 2023, except for the adoption of the following revised IFRSs for the first time for the current period's financial information:

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

The nature and impact of the revised IFRSs are described below:

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products, and has five reportable operating segments as follows:

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the six months ended 30 June 2024 (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	1,798,440	508,556	3,275,585	124,573	984,978	–	6,692,132
Segment results	1,056,976	394,602	2,103,279	59,008	458,429	–	4,072,294
Reconciliations:							
Interest income							6,911
Other income and unallocated gains							111,320
Share of losses of associates							(12,669)
Corporate and other unallocated expenses							(3,220,666)
Finance costs							(433,251)
Profit before tax							523,939
Other segment information:							
Depreciation and amortisation	14,769	3,452	40,521	5,244	39,250	44,905	148,141
Impairment of trade receivables	–	–	47	–	–	–	47
(Write-back)/write-down of inventories to net realisable value	(2,946)	6,682	31,368	(1,235)	48,897	–	82,766
Capital expenditure*	11,010	643	5,928	1,255	9,306	3,290	31,432

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	**4,541,353**	5,076,109
Australia and New Zealand	**975,933**	829,624
North America	**815,837**	736,505
Other locations#	**359,009**	338,610
Total revenue	**6,692,132**	6,980,848

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

(b) Non-current assets

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	**417,020**	441,364
Australia and New Zealand	**2,274,829**	2,358,609
North America	**2,475,017**	2,489,134
Other locations#	**938,045**	967,902
Total non-current assets	**6,104,911**	6,257,009

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

Including the Hong Kong Special Administrative Region ("**Hong Kong SAR**") and Taiwan 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	**6,692,132**	6,980,848

Disaggregated revenue information

For the six months ended 30 June 2024 (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	**1,732,419**	**500,617**	**2,126,812**	**7,156**	**174,349**	**4,541,353**
Australia and New Zealand	**6,303**	**1,679**	**967,943**	**8**	**–**	**975,933**
North America	**–**	**290**	**16,531**	**–**	**799,016**	**815,837**
Other locations*	**59,718**	**5,970**	**164,299**	**117,409**	**11,613**	**359,009**
Total	**1,798,440**	**508,556**	**3,275,585**	**124,573**	**984,978**	**6,692,132**
Timing of revenue recognition						
Goods transferred at a point in time	**1,798,440**	**508,556**	**3,275,585**	**124,573**	**984,978**	**6,692,132**

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

Disaggregated revenue information (continued)

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

* Including Hong Kong SAR and Taiwan of the PRC.

Other income and gains

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**6,911**	11,775
Interest income from loans and bonds receivables	**–**	1,374
Foreign exchange gains	**–**	49,353
Fair value gains on derivative financial instruments, net	**56,530**	29,333
Fair value gains on financial assets	**2,566**	–
Government subsidies*	**2,606**	12,747
Gains on sales of raw materials	**37,467**	22,751
Net gains on partial repurchase of senior notes	**398**	13,884
Others	**11,753**	15,277
Total other income and gains	**118,231**	156,494

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

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank loans and senior notes	**429,618**	361,336
Interest expense on lease liabilities (note 12(b))	**2,847**	2,859
Amortised gain of interest rate hedge in relation to term loan	**(1,761)**	(34,472)
Transaction costs, net of gain on exchange of senior notes	**–**	28,273
Loss from repurchase of guaranteed bonds	**2,547**	–
Total	**433,251**	357,996

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,537,072**	2,560,132
Research and development costs*	**104,035**	84,948
Loss on disposal of items of property, plant and equipment and intangible assets*	**1,519**	316
Impairment of trade receivables*	**47**	1,393
Loss on early termination of leases*	**32**	–
Reversal of impairment of property, plant and equipment*	**–**	(776)
Write-down of inventories to net realisable value#	**82,766**	158,270

* Included in "Other expenses" in profit or loss

\# Included in "Cost of sales" in profit or loss

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Charge for the period		
Mainland China	**55,221**	135,352
Hong Kong SAR	**53,904**	110,694
Australia	**61,002**	5,616
Elsewhere	**518**	205
Deferred (note 24)	**47,491**	43,271
Total	**218,136**	295,138

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 2023: 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**") and Biostime (Guangzhou) Health Products Limited ("**Biostime Health**"), the Company's wholly-owned subsidiaries operating in mainland China, were recognised as high-technology enterprise in December 2022 and 2023, respectively. Guangzhou Hapai is subject to EIT at a rate of 15% for three years from 2022 to 2024 and Biostime Health is for the three years from 2023 to 2025. Therefore, Guangzhou Hapai and Biostime Health were subject to EIT at a rate of 15% for the six months ended 30 June 2024 and 2023.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 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 2023: HKD2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (six months ended 30 June 2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2023: 16.5%).

8. INCOME TAX EXPENSE (CONTINUED)

Australia corporate income tax

Australia corporate income tax has been provided at the rate of 30% (six months ended 30 June 2023: 30%) on the estimated assessable profits arising in Australia.

Tax consolidation legislation

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

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

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

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

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

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

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

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

8. INCOME TAX EXPENSE (CONTINUED)

Income tax for other jurisdictions

The Group's tax provision in respect of other jurisdictions has been calculated at the applicable tax rates in accordance with the prevailing practices of the jurisdictions in which the Group operates.

Pillar Two income taxes

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation has been effective for the Group's financial year beginning 1 January 2024. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. In a limited number of jurisdictions, the relevant entities are suffering losses or the transitional safe harbour relief applies. The management is not currently aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

9. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared – HKD0.18 (2023: HKD0.38) per ordinary share	**104,949**	215,745
Dividends on ordinary shares declared after the interim reporting date:		
Interim – HKD0.30 (2023: HKD0.44) per ordinary share	**173,581**	256,700

On 27 August 2024, the board of directors of Health and Happiness (H&H) International Holdings Limited declared an interim dividend of HKD0.30 (six months ended 30 June 2023: HKD0.44) per ordinary share, amounting to a total of approximately RMB173,581,000 (six months ended 30 June 2023: RMB256,700,000).

10. 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 2024 attributable to ordinary equity holders of the parent of RMB305,803,000 (six months ended 30 June 2023: RMB608,014,000), and the adjusted weighted average number of ordinary shares of 641,001,009 (six months ended 30 June 2023: 639,704,919) 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**305,803**	608,014
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	**645,561,354**	645,561,354
Weighted average number of shares held for the share award schemes	**(4,560,345)**	(5,856,435)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**641,001,009**	639,704,919
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	**1,977,819**	3,613,542
Adjusted weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**642,978,828**	643,318,461

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment with an aggregate cost of RMB22,029,000 (six months ended 30 June 2023: RMB26,379,000). Furthermore, depreciation of RMB34,117,000 (six months ended 30 June 2023: RMB32,773,000) was charged, and property, plant and equipment with an aggregate carrying amount of RMB2,016,000 (six months ended 30 June 2023: RMB7,603,000) were disposed. Besides, exchange realignment with an amount of RMB1,799,000 (negative) was recognised (six months ended 30 June 2023: RMB3,006,000) in the period.

12. LEASE

(a) Right-of-use assets

The Group has lease contracts for various items of land, office buildings, vehicles and office equipment. During the period, the Group recognised the right-of-use assets, with an aggregate cost of RMB12,642,000 (six months ended 30 June 2023: RMB14,448,000). Depreciation of RMB19,815,000 (six months ended 30 June 2023: RMB17,675,000) was charged, and the right-of-use-assets of RMB472,000 (six months ended 30 June 2023: RMB2,015,000) were derecognised due to the early termination of leases. Furthermore, exchange realignment with an amount of RMB894,000 (negative) was recognised in the period (six months ended 30 June 2023: RMB1,980,000).

(b) Lease liabilities

During the period, the Group recognised the new lease liabilities of RMB12,642,000 (six months ended 30 June 2023: RMB14,448,000) and interest expense of RMB2,847,000 (six months ended 30 June 2023: RMB2,859,000) was charged. Furthermore, the Group paid for the lease liabilities of RMB31,920,000 (six months ended 30 June 2023: RMB18,416,000), and the lease liabilities of RMB440,000 (six months ended 30 June 2023: RMB2,015,000) were derecognised due to the early termination of leases. Besides, exchange realignment with an amount of RMB1,248,000 (negative) was recognised in the period (six months ended 30 June 2023: RMB1,929,000).

13. GOODWILL

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At 1 January		
Cost	**8,071,122**	7,869,155
Accumulated impairment	**(250,600)**	(185,062)
Net carrying amount	**7,820,522**	7,684,093
Cost at 1 January, net of accumulated impairment	**7,820,522**	7,684,093
Impairment during the period/year	**–**	(55,671)
Exchange realignment	**(72,557)**	192,100
At end of the period/year	**7,747,965**	7,820,522

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At end of the period/year		
Cost	**7,996,979**	8,071,122
Accumulated impairment	**(249,014)**	(250,600)
Net carrying amount	**7,747,965**	7,820,522

14. INTANGIBLE ASSETS

During the period, the Group acquired intangible assets with an aggregate cost of RMB9,403,000 (six months ended 30 June 2023: RMB9,668,000). Furthermore, amortisation of RMB94,209,000 (six months ended 30 June 2023: RMB99,432,000) was charged by the Group, and no intangible asset (six months ended 30 June 2023: intangible assets with an aggregate carrying amount of RMB58,000) was disposed of by the Group. Besides, exchange realignment with an amount of RMB27,681,000 (negative) was recognised in the period (six months ended 30 June 2023: RMB142,217,000).

15. OTHER NON-CURRENT FINANCIAL ASSETS

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets at fair value through profit or loss	(a)		
– Unlisted equity investments		**66,017**	66,368
– Other unlisted investments		**120,378**	120,510
Subtotal		**186,395**	186,878
Equity investment designed at fair value through other comprehensive income	(b)		
– Listed equity investment in BOD Australia Limited		**1,700**	1,730
– Listed equity investment in Else Nutrition Holdings Limited		**11,018**	12,444
– Other unlisted investments		**1,268**	1,306
Subtotal		**13,986**	15,480
Total		**200,381**	202,358

Notes:

(a) These equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

These unlisted investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(b) These equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers the investments to be strategic in nature.

16. INVENTORIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Raw materials	430,156	554,568
Goods in transit	317,510	358,795
Work in progress	105	4,698
Finished goods	1,131,251	1,456,740
Total	1,879,022	2,374,801

17. TRADE AND BILLS RECEIVABLES

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	667,636	548,993
1 to 3 months	296,148	457,958
Over 3 months	90,332	53,303
Total	1,054,116	1,060,254

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Prepayments	169,019	115,998
Deposits	4,315	5,736
Other receivables	106,656	106,409
Prepaid expenses	11,958	17,667
Right-of-return assets	3,561	1,303
Total	295,509	247,113

As at 30 June 2024, the balance due from the Group's associate included in the prepayments was RMB4,000 (31 December 2023: RMB4,000).

During the period, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2024 and 31 December 2023, the loss allowance was assessed to be minimal.

19. TRADE PAYABLES

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	804,570	863,196
1 to 3 months	138,601	133,620
Over 3 months	53,343	43,861
Total	996,514	1,040,677

20. OTHER PAYABLES AND ACCRUALS

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Salaries and welfare payables		**189,771**	261,764
Accruals		**1,031,524**	1,122,435
Other tax payables		**121,013**	122,510
Other payables	(a)	**155,828**	154,307
Refund liabilities	(b)	**624,681**	561,164
Total		**2,122,817**	2,222,180
Less: current portion		**(2,116,185)**	(2,216,061)
Non-current portion		**6,632**	6,119

Notes:

(a) Other payables are non-interest-bearing and have an average term of three months.

(b) Details of refund liabilities as at 30 June 2024 and 31 December 2023 are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Sales rebate	**613,637**	556,511
Sales return	**11,044**	4,653
Total	**624,681**	561,164

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	30 June 2024 Assets RMB'000 (Unaudited)	30 June 2024 Liabilities RMB'000 (Unaudited)	31 December 2023 Assets RMB'000 (Audited)	31 December 2023 Liabilities RMB'000 (Audited)
Non-current					
Early redemption option embedded in the senior notes	(a)	**9,231**	**–**	14,355	–
The Swaps (as defined below)	(b)	**–**	**–**	10,413	–
The CCSs (as defined below)	(c)	**1,119**	**11,672**	23,289	50,646
Total		**10,350**	**11,672**	48,057	50,646
Current					
Early redemption option embedded in the senior notes	(a)	**–**	**–**	769	–
The Swaps (as defined below)	(b)	**35,645**	**53,331**	–	64,666
The CCSs (as defined below)	(c)	**19,138**	**17,367**	158	39,258
Total		**54,783**	**70,698**	927	103,924

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes:

(a) An early redemption option is embedded in the senior notes, details of which are set out in note 23 to these interim condensed consolidated financial statements. The fair value of the early redemption option as at 30 June 2024 was RMB9,231,000 (31 December 2023: RMB15,124,000). A fair value loss of RMB11,146,000 was charged to profit or loss for the period (six months ended 30 June 2023: RMB11,871,000).

(b) Cash flow hedges

As at 30 June 2024 and 31 December 2023, the Group had certain cross currency interest rate swaps and cross currency swaps (collectively, the "**Swaps**") in order to hedge the exposure arising from bank borrowings carried at floating rates and denominated in foreign currencies. Under the Swaps, the Group agreed with the counterparties to exchange, at specified interval, the difference between fixed contract rates and floating-rate interest amounts (if applicable) calculated by reference to the agreed notional amounts in specified currencies denominated in foreign currencies.

For the Swaps designated as hedging instruments, there is an economic relationship between the hedged items and the hedging instruments as the terms of the Swaps match the term of the term loans denominated in USD. The cash flow hedge relating to the expected interest and principal payments was assessed to be highly effective.

During the period, a net gain of RM49,029,000 (six months ended 30 June 2023: RMB37,173,000) was included in the cash flow hedge reserve and a net loss of RMB13,825,000 was charged in profit or loss (six months ended 30 June 2023: a net gain of RMB3,805,000).

(c) Hedges of net investments in foreign operations

As at 30 June 2024 and 31 December 2023, the Company had certain cross currency swap and cross currency interest rate swap agreements (the "**CCSs**") to hedge its exposure of foreign currency risks arising from its investment in mainland China and Australia. Under the CCSs, the Company agreed with the counterparties to exchange, at specified interval, the difference between fixed contract rates and fixed or floating-rate interest amounts calculated by reference to the agreed notional amounts at specified currencies.

For the CCSs designated as hedging instruments, there is an economic relationship between the hedge item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the CCSs. The Company has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investments in the foreign subsidiaries becomes lower than the amount of the CCSs.

During the period, a net gain of RMB44,387,000 (six months ended 30 June 2023: RMB100,826,000) arising from the changes in fair value was included in exchange fluctuation reserve and a net gain of RMB81,501,000 was recognised in profit or loss (six months ended 30 June 2023: RMB37,399,000). During the period, the Company has received net cash of RMB43,234,000 (six month ended 30 June 2023: RMB13,609,000) in respective of those CCSs.

22. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	30 June 2024			31 December 2023		
	Effective interest rate (%)*	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)*	Maturity	RMB'000 (Audited)
Current						
Current portion of long term bank loan – unsecured	LPR+margin	2024-2025	273,607	LPR+margin	2024-2025	588,078
Current portion of long term bank loans – secured	HIBOR+Margin	2024-2025	1,542,009	HIBOR+margin	2024	1,070,414
Current portion of long term bank loans – secured	SOFR+Margin	2024-2025	3,729,018	SOFR+margin	2024	2,631,415
Current portion of RMB500,000,000 7.5% guaranteed bonds	9.28	2024-2025	10,403	–	–	–
Total – current			5,555,037			4,289,907
Non-current						
Long term bank loans – unsecured	LPR+margin	2025-2026	524,998	LPR+margin	2025	10,052
Long term bank loans – unsecured	LPR+margin	2025-2027	918,076	LPR+margin	2025-2026	8,016
Long term bank loans – secured	–	–	–	HIBOR+margin	2025	932,382
Long term bank loans – secured	–	–	–	SOFR+margin	2025	2,214,538
RMB500,000,000 7.5% guaranteed bonds	9.28	2027	392,306	–	–	–
Total – non-current			1,835,380			3,164,988
Total			7,390,417			7,454,895
Analysed into:						
Bank loans repayable:						
within one year or on demand			5,544,634			4,289,907
in the second year			437,027			3,158,976
in the third to fifth years, inclusive			1,006,047			6,012
Subtotal			6,987,708			7,454,895
Other borrowings repayable:						
within one year or on demand			10,403			–
in the second year			–			–
in the third to fifth years, inclusive			392,306			–
Subtotal			402,709			–
Total			7,390,417			7,454,895

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

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

Notes:

(a) As at 30 June 2024, the Group's interest-bearing bank loans amounting to RMB5,271,027,000 (31 December 2023: RMB6,848,749,000) are guaranteed on a joint and several basis by the Company and certain of the Company's subsidiaries and are secured by fixed and floating charges over present and future assets of the Company and certain of its subsidiaries and assignments over the Company's and certain of its subsidiaries' rights to their material contracts and insurance policies. In addition, certain subsidiaries' shares are also pledged.

(b) Certain of the Group's interest-bearing bank loans are subject to the fulfilment of certain covenants relating to limitations on indebtedness. The Company regularly monitors its compliance with these covenants.

As at 31 December 2023, a subsidiary of the Group was not in compliance with a term as stipulated in the agreement of an interest-bearing bank loan amounting to RMB495,959,000. Besides the portion of balance repayable within 12 months, the remaining balance of RMB395,422,000, which are repayable beyond 12 months, has been accounted for as current liabilities. A waiver has been obtained subsequent to 31 December 2023.

(c) As at 30 June 2024, the Group's interest-bearing bank loans and other borrowings were denominated in USD, HKD and RMB at aggregate amounts of RMB3,729,018,000 (31 December 2023: RMB4,845,953,000), RMB1,542,009,000 (31 December 2023: RMB2,002,796,000), and RMB2,119,390,000 (31 December 2023: RMB606,146,000) respectively.

23. SENIOR NOTES

On 24 October 2019, the Company issued senior notes due 24 October 2024 with an aggregate principal amount of USD300,000,000 and coupon interest rate of 5.625% per annum (the "**2024 Notes**"). The Company repurchased certain amount in prior periods and repurchased and redeemed the remaining amount during the period.

On 26 June 2023, the Company issued senior notes due 26 June 2026 with an aggregate principal amount of USD200,000,000 and coupon interest rate of 13.5% per annum (the "**Original 2026 Notes**"). On 12 April 2024, the Company issued additional senior notes due 26 June 2026 with an aggregate principal amount of USD120,200,000 (the "**New 2026 Notes**"), which were consolidated and formed a single series with the Original 2026 Notes (together with the New 2026 Notes, the "**2026 Notes**"). As at 30 June 2024, the outstanding principal amount of the 2026 Notes was USD300,000,000, after repurchasing from the open market with an aggregate principal amount of USD20,200,000 from the open market prior to 30 June 2024.

The 2024 Notes, prior to their redemption, were listed and the 2026 Notes are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The 2024 Notes were jointly and severally guaranteed, on a senior subordinated basis, by certain subsidiaries of the Company, and are secured on a second-ranking basis by a floating charge over the assets of the Company (other than any assets located in the PRC or shares of subsidiaries). The 2026 Notes are jointly and severally guaranteed, on a senior basis, by certain subsidiaries of the Company. The 2026 Notes and the Group's subsidiary guarantees are secured on a first-ranking basis, by floating charges over all or substantially all assets of the Company and its initial subsidiary guarantors (in each case other than any assets located in the PRC or shares of subsidiaries in the PRC that will not secure the 2026 Notes) and pledges/charges over shares of the initial subsidiary guarantors, namely Health and Happiness (H&H) China Limited ("**H&H China**") and Biostime Health.

Pursuant to their terms, the 2026 Notes are subject to the fulfilment of covenants relating to limitations on indebtedness and certain transactions of the Company and certain of its subsidiaries. The Company regularly monitors its compliance with these covenants.

The Company may redeem part or all of the senior notes at certain time and certain redemption prices as specified in the terms of the senior notes.

As at 30 June 2024, the fair value of the early redemption option embedded in the senior notes amounted to RMB9,231,000 (31 December 2023: RMB15,142,000), details of which are set out in note 21(a) to these interim condensed consolidated financial statements.

23. SENIOR NOTES (CONTINUED)

The movements of the senior notes during the six months ended 30 June 2024 and the year ended 31 December 2023 are set out below:

	Total RMB'000
At 1 January 2023 (Audited)	1,905,559
Partial repurchase of senior notes	(599,642)
Gain on partial repurchase of senior notes (note 5)	(20,803)
Gain on exchange of senior notes	(31,548)
Upon the completion of the issuance of senior notes	
Proceeds received	407,985
Transaction cost incurred	(37,290)
Early redemption option embedded in senior notes	16,399
Interest charged during the year	168,888
Interest paid during the year	(172,349)
Exchange realignment	23,401
At 31 December 2023 and 1 January 2024 (Audited)	**1,660,600**
Redemption and repurchase of senior notes	**(428,444)**
Gain on partial repurchase of senior notes (note 5)	**(398)**
Upon the completion of the issuance of senior notes	
Proceeds received	**906,794**
Transaction cost incurred	**(43,656)**
Early redemption option embedded in senior notes	**5,103**
Interest charged during the period	**131,306**
Interest paid during the period	**(131,594)**
Exchange realignment	**12,956**
At 30 June 2024 (Unaudited)	**2,112,667**
Less: current portion	**(152,141)**
Non-current portion	**1,960,526**

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the six months ended 30 June 2024 and the year ended 31 December 2023 are as follows:

Deferred tax assets

	Provision for Impairment of assets RMB'000	Accrued liabilities and future deductible expenses RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Tax losses recognised RMB'000	Cash flow hedges RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024 (Audited)	60,231	385,410	43,449	177,757	16,276	22,490	40,389	746,002
(Charged)/credited to profit or loss for the period	(18,535)	(18,630)	1,835	29,729	(10,867)	(5,769)	12,163	(10,074)
Deferred tax charged to equity during the period	–	–	–	–	306	–	–	306
Exchange realignment	–	(600)	1	507	(409)	(289)	(68)	(858)
Gross deferred tax assets at 30 June 2024 (Unaudited)	41,696	366,180	45,285	207,993	5,306	16,432	52,484	735,376

	Provision for Impairment of assets RMB'000	Accrued liabilities and future deductible expenses RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Tax losses recognised RMB'000	Cash flow hedges RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	24,434	404,737	85,421	68,039	–	24,888	50,454	657,973
Credited/(charged) to profit or loss for the year	35,797	(20,098)	(41,972)	107,507	(11,642)	(2,776)	(10,544)	56,272
Deferred tax charged to equity during the year	–	–	–	–	27,393	–	–	27,393
Exchange realignment	–	771	–	2,211	525	378	479	4,364
Gross deferred tax assets at 31 December 2023 (Audited)	60,231	385,410	43,449	177,757	16,276	22,490	40,389	746,002

24. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Withholding tax on distributable profits of subsidiaries in the PRC RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Cash flow hedges RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024 (Audited)	103,020	22,783	796,499	–	18,489	10,385	951,176
(Credited)/charged to profit or loss for the period	(4,207)	21,078#	22,574	–	(3,022)	994	37,417
Exchange realignment	628	51	(12,209)	–	(199)	(37)	(11,766)
Gross deferred tax liabilities at 30 June 2024	99,441	43,912	806,864	–	15,268	11,342	976,827
At 1 January 2023	16,930	45,996	741,933	23,037	20,173	8,535	856,604
Charged/(credited) to profit or loss for the year	85,371	(23,396)#	36,222	(23,695)	(1,969)	1,168	73,701
Exchange realignment	719	183	18,344	658	285	682	20,871
Gross deferred tax liabilities at 31 December 2023 (Audited)	103,020	22,783	796,499	–	18,489	10,385	951,176

The amount represented a deferred tax provision of RMB21,078,000 (year ended 31 December 2023: RMB22,128,000) on the distributable profits of the Company's subsidiaries in mainland China after offsetting the realised deferred tax liabilities arising from dividends declared by these subsidiaries to their foreign investors during the year. No deferred tax liabilities were realised in the period (year ended 31 December 2023: RMB45,524,000).

For presentation purpose, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purpose:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	548,844	580,624
Net deferred tax liabilities recognised in the consolidated statement of financial position	(790,295)	(785,798)
Total	(241,451)	(205,174)

25. SHARE CAPITAL

Shares

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Authorised:		
10,000,000,000 (31 December 2023: 10,000,000,000) ordinary shares of HKD0.01 each	**HKD100,000,000**	HKD100,000,000
Issued and fully paid:		
645,561,354 (31 December 2023: 645,561,354) ordinary shares of HKD0.01 each	**HKD6,455,614**	HKD6,455,614
Equivalent to	**RMB5,519,000**	RMB5,519,000

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 40 and 41 of these interim condensed consolidated financial statements.

The Group's contributed surplus represents the excess of the previous nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation over the previous nominal value of the Company's shares issued and cash consideration paid in exchange therefor.

The Group's capital surplus represents 1% of the equity in Biostime Health contributed by Biostime Pharmaceuticals (China) Limited, the ultimate shareholder, during the year ended 31 December 2009 when Biostime Health became a wholly-owned subsidiary of the Group.

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

27. COMMITMENTS

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Intangible assets	**9,379**	7,802
Property, plant and equipment	**7,553**	10,612
Total	**16,932**	18,414

28. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Outstanding balance with related parties

Details of the Group's prepayment balance with its associate as at the end of the reporting period are disclosed in note 18 to these interim condensed consolidated financial statements.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Fees	**3,750**	3,408
Short-term employee benefits	**42,127**	48,728
Pension scheme contributions	**454**	363
Termination payments	**–**	2,860
Equity-settled share option expense	**–**	2,063
Equity-settled share award expense	**3,904**	8,884
Total compensation paid to key management personnel	**50,235**	66,306

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	**30 June 2024 RMB'000 (Unaudited)**	31 December 2023 RMB'000 (Audited)
Financial assets				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	**9,231**	15,124	**9,231**	15,124
– The Swaps	**35,645**	10,413	**35,645**	10,413
– The CCSs	**20,257**	23,447	**20,257**	23,447
Other non-current financial assets	**200,381**	202,358	**200,381**	202,358
Financial assets at fair value through profit or loss	**50,000**	–	**50,000**	–
Total	**315,514**	251,342	**315,514**	251,342
Financial liabilities				
Derivative financial instruments				
– The Swaps	**(53,331)**	(64,666)	**(53,331)**	(64,666)
– The CCSs	**(29,039)**	(89,904)	**(29,039)**	(89,904)
Senior notes	**(2,112,667)**	(1,660,600)	**(2,279,345)**	(1,653,606)
Total	**(2,195,037)**	(1,815,170)	**(2,361,715)**	(1,808,176)

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and lease liability (current) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

(a) The fair values of lease liabilities (non-current), and interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at 30 June 2024 were assessed to be insignificant.

(b) The financial assets of unlisted equity investments at fair value through profit or loss included in the other non-current financial assets are measured using the market approach with significant unobservable market inputs.

(c) The financial assets of other unlisted investments at fair value through profit or loss included in the other non-current financial assets are measured using valuation technique of the discounted cash flow model.

(d) The fair values of equity investments designed at fair value through other comprehensive income included in other non-current financial assets are based on quoted market prices or the recent transaction price method with significant unobservable market inputs.

(e) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including the Swaps and the CCSs, are measured by using discounted cash flow models. The valuation techniques used both observable and unobservable market inputs. The fair values of the Swaps and the CCSs were the same as their carrying amounts.

(f) The derivative financial instrument arising from the early redemption option embedded in the senior notes is measured using valuation technique of discounted cash flow model using significant unobservable market inputs.

(g) The fair value of the senior notes based on the quoted market price provided by a leading global financial market data provider.

(h) The fair values of financial assets at fair value through profit or loss are measured using valuation technique of discounted cash flow model based on the market interest rates of instruments with similar terms and risks, and their fair values approximate to their carrying amount due to the short mature period and fixed range of return rate.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Other non-current financial assets – other unlisted investment	Discounted cash flow model	Discount rate	1.83% to 1.87% (31 December 2023: 2.18% to 2.22%)	1% (31 December 2023: 1%) increase in discount rate would result in decrease in fair value by RMB84,000 (31 December 2023: RMB99,000) 1% (31 December 2023: 1%) decrease in discount rate would result in increase in fair value by RMB77,000 (31 December 2023: RMB106,000)
Other non-current financial assets – the unlisted equity investment in Arla	Recent transaction price method	Recent transaction price	Not applicable	Not applicable
Other non-current financial assets – the unlisted equity investment	Market approach	Enterprise value-to-sales ratio	2.84 to 2.90 (31 December 2023: 2.99 to 3.05)	1% (31 December 2023: 1%) increase in enterprise value-to-sales ratio would result in increase in fair value by RMB684,000 (31 December 2023: RMB694,000) 1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB691,000 (31 December 2023: RMB687,000)

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument – the CCSs (USD/RMB)	Discounted cash flow model	Discount rate – receive leg	4.05% to 5.40% (31 December 2023: 3.50% to 5.63%)	1% (31 December 2023: 1%) increase in discount rate would result in decrease in fair value by RMB1,429,000 (31 December 2023: RMB1,498,000) 1% (31 December 2023: 1%) decrease in discount rate would result in increase in fair value by RMB1,431,000 (31 December 2023: RMB1,500,000)
		Discount rate – pay leg	2.45% to 2.70% (31 December 2023: 2.50% to 3.04%)	1% (31 December 2023: 1%) increase in discount rate would result in increase in fair value by RMB760,000 (31 December 2023: RMB895,000) 1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB761,000 (31 December 2023: RMB895,000)

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument – the CCSs (USD/AUD)	Discounted cash flow model	Discount rate – receive leg	4.05% to 5.40% (31 December 2023: 3.49% to 5.41%)	1% (31 December 2023: 1%) increase in discount rate would result in increase in fair value by RMB392,000 (31 December 2023: RMB688,000) 1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB393,000 (31 December 2023: RMB689,000)
		Discount rate – pay leg	4.20% to 4.46% (31 December 2023: 3.71% to 4.33%)	1% (31 December 2023: 1%) increase in discount rate would result in decrease in fair value by RMB355,000 (31 December 2023: RMB532,000) 1% (31 December 2023: 1%) decrease in discount rate would result in increase in fair value by RMB355,000 (31 December 2023: RMB534,000)

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument – the Swaps (USD/HKD)	Discounted cash flow model	Discount rate – receive leg	Not applicable (31 December 2023: 3.50% to 5.41%)	Not applicable (31 December 2023: 1% increase in discount rate would result in decrease in fair value by RMB459,000) Not applicable (31 December 2023: 1% decrease in discount rate would result in increase in fair value by RMB459,000)
		Discount rate – pay leg	Not applicable (31 December 2023: 3.32% to 5.12%)	Not applicable (31 December 2023: 1% increase in discount rate would result in increase in fair value by RMB426,000) Not applicable (31 December 2023: 1% decrease in discount rate would result in decrease in fair value by RMB427,000)

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instruments – the Swaps (USD/AUD)	Discounted cash flow model	Discount Rate – receive leg	5.29% to 5.39% (31 December 2023: 5.35% to 5.45%)	1% (31 December 2023: 1%) increase in discount rate would result in decrease in fair value by RMB37,000 (31 December 2023: RMB159,000) 1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB37,000 (31 December 2023: RMB161,000)
		Discount Rate – pay leg	4.36% to 4.45% (31 December 2023: 4.30% to 4.38%)	1% (31 December 2023: 1%) increase in discount rate would result in increase in fair value by RMB10,504,000 (31 December 2023: RMB15,818,000) 1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB10,634,000 (31 December 2023: RMB16,148,000)
Derivative financial instrument – early redemption option embedded in the senior notes	Discounted cash flow model	Discount Rate	9.76% to 10.30% (31 December 2023: 8.61% to 14.86%)	1% (31 December 2023: 1%) increase in discount rate would result in increase in fair value by RMB5,372,000 (31 December 2023: RMB3,806,000) 1% (31 December 2023: 1%) decrease in discount rate would result in decrease in fair value by RMB5,386,000 (31 December 2023: RMB3,822,000)

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

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
At 30 June 2024 (Unaudited)				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	9,231	9,231
– The Swaps	–	–	35,645	35,645
– The CCSs	–	–	20,257	20,257
Other non-current financial assets	12,718	–	187,663	200,381
Financial assets at fair value through profit or loss	–	50,000	–	50,000
Total	12,718	50,000	252,796	315,514
As at 31 December 2023 (Audited)				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	15,124	15,124
– The Swaps	–	–	10,413	10,413
– The CCSs	–	–	23,447	23,447
Other non-current financial assets	14,174	–	188,184	202,358
Total	14,174	–	237,168	251,342

The movements in fair value measurements within Level 3 during the six months ended 30 June 2024 and the year ended 31 December 2023 are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At 1 January	237,168	291,343
Additions	5,103	16,399
Derecognition	–	(48,533)
Net settlement	(43,789)	(59,065)
Total gains recognised in profit or loss	10,756	22,257
Total gains recognised in equity	45,405	9,124
Exchange realignment	(1,847)	5,643
At end of the period/year	252,796	237,168

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

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 30 June 2024 (Unaudited)				
Derivative financial instruments				
– The Swaps	–	–	53,331	53,331
– The CCSs	–	–	29,039	29,039
Total	–	–	82,370	82,370
As at 31 December 2023 (Audited)				
Derivative financial instruments				
– The Swaps	–	–	64,666	64,666
– The CCSs	–	–	89,904	89,904
Total	–	–	154,570	154,570

The movements in fair value measurements within Level 3 during six months ended 30 June 2024 and the year ended 31 December 2023 are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At 1 January	154,570	183,749
Derecognition	–	(29,762)
Net settlement	24,090	(20,064)
Total gains recognised to profit or loss	(48,340)	(30,847)
Total (gains)/losses charged to equity	(47,973)	48,200
Exchange realignment	23	3,294
At end of the period/year	82,370	154,570

During six months ended 30 June 2024 and the year ended 31 December 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

30. APPROVAL OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on 27 August 2024.

INDEPENDENT **AUDITOR'S REPORT**

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

OPINION

We have audited the consolidated financial statements of Health and Happiness (H&H) International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 91 to 207, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets with indefinite lives	
As at 31 December 2023, the Group recorded goodwill and intangible assets with indefinite lives of RMB7,820,522,000 and RMB4,405,359,000 respectively, which represented 39% and 22% of the total assets of the Group, respectively. The Group is required to perform annual impairment testing for goodwill and intangible assets with indefinite lives. Management performed impairment tests on these assets by using the discounted cash flow model as at 31 December 2023. During the year, impairment losses of RMB76,571,000 were recognised in relation to two cash-generating units under adult nutrition and care products segment and other paediatric products segment. This area was important to our audit due to significant judgement and estimates involved in the assessment of the recoverable amounts of these assets. This assessment required management to make assumptions to be used in the discounted cash flow model. The most critical assumptions were growth rates and discount rates. The disclosures about impairment testing of goodwill and intangible assets with indefinite lives are included in note 16 to these financial statements.	The audit procedures we performed, among others, included the following: • involving our valuation specialists to assist us in evaluating the methodologies, discount rates and long-term growth rates used by management, as appropriate, to estimate the recoverable amounts of goodwill and intangible assets; • evaluating the assumptions used by management and assessing the forecasts used with respect to future revenue and operating results by comparing the forecasts with the historic performance of the respective cash-generating units to which the goodwill or the intangible assets with indefinite lives were allocated and their business development plans; • assessing the growth rates in sales by comparing them to the industry trend; • considering the sensitivity in the available headroom for the cash-generating units, evaluating whether reasonably possible changes in assumptions could cause the carrying amounts to exceed the recoverable amounts; and • considering the adequacy of the relevant disclosures in the Group's financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

Hedge accounting

The Group has entered into a series of cross currency swaps and cross currency interest rate swaps to hedge the Group's exposure to interest rate and foreign currency risks relating to its bank borrowings denominated in United States dollars or to hedge the Company's exposure to foreign currency risks relating to the investments in foreign operations.

For accounting purposes, the Group has applied cash flow hedges or hedges of net investments. In order to apply these hedges, the Group had to comply with a number of requirements in IFRSs, including:

- Designating and documenting both the hedging relationship and the Group's management objective and strategy for undertaking the hedge at the inception of the hedge;
- Performing prospective hedge effectiveness testing; and
- Recording any resulting effectiveness in other comprehensive income and ineffectiveness in profit or loss.

The accounting standards governing the criteria and application of hedge accounting are complex, and require significant judgement in their applications.

The disclosures about hedge accounting are included in note 28 to these financial statements.

How our audit addressed the key audit matter

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

- involving our valuation specialists to assist us in assessing the fair value of the aforesaid swaps;
- evaluating the Group's hedging policies in respect of its interest rate and foreign currency risk exposures;
- evaluating the hedge documentation prepared by management and assessing the hedge effectiveness tests prepared by management with the help of our valuation specialists on the inputs and methodology used by management in the tests; and
- considering the adequacy of the disclosures relating to the hedging relationship in these financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of inventories	
As at 31 December 2023, the carrying amount of inventories was RMB2,374,801,000, after netting of the provision for impairment of RMB321,099,000. The provision for impairment mainly related to certain obsolete and slow-moving inventories. Significant management judgement was required in assessing whether there would be obsolete and slow-moving inventories at the year end. The specific factors considered by management in the estimation of the provision included types of inventories, conditions of the inventories, expiration dates of inventories, and the forecasted inventory usage and sales. The disclosures about the provision for impairment of inventories are included in notes 2.4 and 3 to these financial statements.	The audit procedures we performed, among others, included the following: • obtaining an understanding of management's process about how to identify the obsolete and slow-moving inventories and calculate the provision; • evaluating management's assumptions used to calculate the provision amount for obsolete and slow-moving inventories by checking the ageing of inventories and the subsequent usage and sales of inventories on a sampling basis; • testing samples of inventory items held by the Group to assess their costs and net realisable values; and • attending and observing management's inventory counts at major locations to assess the conditions of inventories.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

26 March 2024

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

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**13,926,470**	12,775,914
Cost of sales		**(5,632,214)**	(5,072,426)
Gross profit		**8,294,256**	7,703,488
Other income and gains	5	**214,557**	219,818
Selling and distribution expenses		**(5,599,680)**	(5,235,233)
Administrative expenses		**(848,453)**	(727,683)
Other expenses		**(336,404)**	(382,167)
Finance costs	6	**(773,489)**	(525,659)
Share of losses of associates	19	**(17,185)**	(21,633)
PROFIT BEFORE TAX	7	**933,602**	1,030,931
Income tax expense	9	**(351,757)**	(419,148)
PROFIT FOR THE YEAR		**581,845**	611,783
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		**(80,489)**	324,640
Reclassification adjustments for gains/(losses) included in profit or loss		**425**	(258,594)
Income tax effect		**27,393**	(5,475)
		(52,671)	60,571
Hedges of net investments:			
Effective portion of changes in fair value of hedging instruments arising during the year		**41,345**	62,220
Exchange differences on translation of foreign operations		**15,146**	(29,788)
Exchange differences on net investments in foreign operations		**71,996**	(74,746)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**75,816**	18,257
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		**(25,897)**	(38,307)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**49,919**	(20,050)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**631,764**	591,733
Profit attributable to owners of the parent		**581,845**	611,783
Total comprehensive income attributable to owners of the parent		**631,764**	591,733
		RMB	RMB
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**0.91**	0.96
Diluted		**0.90**	0.95

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**369,545**	388,382
Right-of-use assets	13(a)	**141,202**	142,720
Goodwill	14	**7,820,522**	7,684,093
Intangible assets	15	**5,582,409**	5,639,307
Bonds receivable	17	**–**	74,229
Deposits	18	**28,903**	61,842
Investment in associates	19	**134,950**	152,135
Deferred tax assets	31	**580,624**	637,800
Derivative financial instruments	28	**48,057**	128,081
Other non-current financial assets	20	**202,358**	195,017
Total non-current assets		**14,908,570**	15,103,606
CURRENT ASSETS			
Inventories	21	**2,374,801**	2,587,701
Trade and bills receivables	22	**1,060,254**	769,051
Prepayments, other receivables and other assets	23	**247,113**	179,304
Bonds receivable	17	**78,592**	–
Derivative financial instruments	28	**927**	8,936
Pledged deposits	24	**7,430**	10,767
Cash and cash equivalents	24	**1,364,283**	2,303,660
Total current assets		**5,133,400**	5,859,419
CURRENT LIABILITIES			
Trade payables	25	**1,040,677**	1,340,970
Other payables and accruals	26	**2,216,061**	2,199,256
Contract liabilities	27	**200,461**	266,613
Derivative financial instruments	28	**103,924**	–
Interest-bearing bank loans	29	**4,289,907**	967,242
Lease liabilities	13(b)	**37,415**	21,960
Senior notes	30	**432,237**	19,411
Tax payable		**120,507**	319,431
Total current liabilities		**8,441,189**	5,134,883
NET CURRENT (LIABILITIES)/ASSETS		**(3,307,789)**	724,536

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NET CURRENT (LIABILITIES)/ASSETS		**(3,307,789)**	724,536
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,600,781**	15,828,142
NON-CURRENT LIABILITIES			
Senior notes	30	**1,228,363**	1,886,148
Interest-bearing bank loans	29	**3,164,988**	6,695,491
Lease liabilities	13(b)	**69,643**	79,183
Other payables and accruals	26	**6,119**	5,287
Derivative financial instruments	28	**50,646**	183,749
Deferred tax liabilities	31	**785,798**	836,431
Total non-current liabilities		**5,305,557**	9,686,289
Net assets		**6,295,224**	6,141,853
EQUITY			
Issued capital	32	**5,519**	5,519
Other reserves	35	**6,188,111**	5,915,617
Proposed dividend	10	**101,594**	220,717
Total equity		**6,295,224**	6,141,853

Luo Fei
Director

Wang Yidong
Director

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2023

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

* These reserve accounts comprise the consolidated other reserves of RMB6,188,111,000 (2022: RMB5,915,617,000) in the consolidated statement of financial position as at 31 December 2023.

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2023

	Notes	Issued capital RMB'000	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000	Cash flow hedge reserve RMB'000	Fair value reserve of financial assets through other comprehensive income RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total equity RMB'000
At 1 January 2022		5,516	688,995	(1)	26,992	95	382,665	192,751	-	(475,903)	(1,217,025)	(5,900)	(3,694)	6,202,890	87,805	5,885,186
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	611,783	-	611,783
Other comprehensive income/(loss) for the year:																
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	-	-	(38,307)	-	-	(38,307)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	-	60,571	-	-	-	60,571
Hedges of net investments		-	-	-	-	-	-	-	-	62,220	-	-	-	-	-	62,220
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(29,788)	-	-	-	-	-	(29,788)
Exchange differences on net investments in foreign operations		-	-	-	-	-	-	-	-	(74,746)	-	-	-	-	-	(74,746)
Total comprehensive income/(loss) for the year		-	-	-	-	-	-	-	-	(42,314)	-	60,571	(38,307)	611,783	-	591,733
Shares issued for the equity-settled share option arrangements		3	5,996	-	-	-	-	(1,124)	-	-	-	-	-	-	-	4,875
Equity-settled share option arrangements	33	-	-	-	-	-	-	(64,773)	-	-	-	-	-	-	-	(64,773)
Equity-settled share award arrangements	34	-	-	-	-	-	-	-	20,231	-	-	-	-	-	-	20,231
Transfer of share option reserve upon the forfeiture or expiry of share options	33	-	-	-	-	-	-	(25,370)	-	-	-	-	-	25,370	-	-
Shares purchased for the 2022 Share Award Scheme (as defined in note 34)	34	-	-	(61,776)	-	-	-	-	-	-	-	-	-	-	-	(61,776)
Final 2021 and interim 2022 dividend declared		-	-	-	-	-	-	-	-	-	-	-	-	(145,818)	(87,805)	(233,623)
Proposed final 2022 dividend	10	-	-	-	-	-	-	-	-	-	-	-	-	(220,717)	220,717	-
At 31 December 2022		5,519	694,991*	(61,777)*	26,992*	95*	382,665*	101,484*	20,231*	(518,217)*	(1,217,025)*	54,671*	(42,001)*	6,473,508*	220,717	6,141,853

CONSOLIDATED **STATEMENT OF CASH FLOWS**

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**933,602**	1,030,931
Adjustments for:			
Bank interest income	5	**(22,676)**	(16,879)
Interest income from loans and bonds receivables	5	**(1,736)**	(3,140)
Finance costs	6	**773,489**	525,659
Net gains on partial repurchase of the senior notes	5	**(20,803)**	(25,204)
Share of losses of associates	19	**17,185**	21,633
Depreciation of property, plant and equipment	7	**69,713**	72,431
Depreciation of right-of-use assets	7	**36,500**	38,576
Amortisation of intangible assets	7	**196,040**	200,276
Loss on disposal of items of property, plant and equipment and intangible assets	7	**2,677**	8,071
Gain on disposal of a leasehold land	7	**–**	(3,399)
Gains on revision of lease term or early termination of leases	7	**(29)**	(3,175)
(Reversal of Impairment)/impairment of property, plant and equipment	7	**(1,273)**	3,041
Impairment of goodwill	7	**55,671**	109,062
Impairment of intangible assets	7	**41,660**	25,413
Impairment of trade receivables	7	**3,076**	15,666
(Reversal of Impairment)/impairment of other receivables	7	**(7,083)**	13,213
Write-down of inventories to net realisable value	7	**313,243**	249,229
Reversal of equity-settled share option expense	7	**(17,359)**	(64,773)
Equity-settled share award expense	7	**13,571**	20,231
Fair value gains on derivative financial instruments, net	7	**(24,930)**	(23,596)
Fair value (gains)/losses on other non-current financial assets	7	**(28,174)**	26,443
Foreign exchange losses/(gains), net	7	**4,771**	(76,669)
		2,337,135	2,143,040
Increase in inventories		**(72,194)**	(706,744)
Increase in trade and bills receivables		**(270,672)**	(33,371)
Decrease in prepayments, other receivables and other assets		**17,179**	88,394
(Increase)/decrease in rental deposits		**(503)**	3,148
Decrease/(increase) in restricted deposits		**3,337**	(10,767)
(Decrease)/increase in trade payables		**(299,828)**	430,108
(Decrease)/increase in other payables and accruals		**(2,331)**	29,679
Decrease in contract liabilities		**(59,133)**	(1,567)
Cash generated from operations		**1,652,990**	1,941,920
Corporate income tax paid		**(556,171)**	(472,607)
Net cash flows from operating activities		**1,096,819**	1,469,313

CONSOLIDATED **STATEMENT OF CASH FLOWS**

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Net cash flows from operating activities		**1,096,819**	1,469,313
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(58,067)**	(44,890)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**7,641**	2,672
Proceed from disposal of a leasehold land		**–**	9,398
Additions to intangible assets		**(32,908)**	(51,361)
Addition to other non-current financial assets		**–**	(3,438)
Addition to right-of-use assets		**–**	(6,242)
Acquisition of an associate		**–**	(20,143)
Patrial disposal of other non-current financial assets		**1,376**	–
Decrease/(increase) in time deposits with original maturity of three months or more when acquired	24	**6,000**	(6,000)
Interest received		**23,887**	15,128
Net cash flows used in investing activities		**(52,071)**	(104,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes	30	**407,985**	–
New bank loans		**610,000**	–
Payment of transaction costs for issue of senior notes	30	**(37,290)**	–
Payment of transaction costs for exchange of senior notes		**(60,340)**	–
Exercise of share options	32	**–**	4,875
Repayment of bank loans		**(1,092,607)**	(383,651)
Payment of transaction costs for refinancing loans		**–**	(146,667)
Payment for partial repurchase of the senior notes	30	**(599,642)**	(183,209)
Payment of lease liabilities	13(b)	**(36,315)**	(40,976)
Interest paid		**(750,046)**	(474,630)
Proceeds from/(payment for) certain CCSs (as defined in note 28)		**38,177**	(17,761)
Proceeds from the termination of certain CCSs		**–**	47,617
Dividends paid		**(474,529)**	(233,623)
Purchase of shares for the 2022 Share Award Scheme	34	**–**	(61,776)
Net cash flows used in financing activities		**(1,994,607)**	(1,489,801)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(949,859)**	(125,364)
Cash and cash equivalents at beginning of year		**2,297,660**	2,400,070
Effect of foreign exchange rate changes, net		**16,482**	22,954
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,364,283**	2,297,660
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**1,364,283**	2,297,660

31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

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

31 December 2023

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Mama100 E-commerce Co., Limited ("**Mama100 E-commence**")**	PRC/Mainland China	RMB2,000,000	–	100%	Online sales, provision of software and information technology services
New H2 Limited	Hong Kong	HKD1	–	100%	International investment
Health and Happiness (H&H) Hong Kong Limited ("**H&H HK**")#	Hong Kong	HKD3,240,571,943 USD460,000,000	–	100%	Investment holding, international investment, and trading
Health and Happiness France	France	EUR15,872,414	–	100%	Research of baby products, and marketing and distribution of organic baby food
Farmland Dairy Pty Ltd. ("**Farmland**")	Australia	AUD13,684,817	–	100%	Manufacture and distribution of infant formulas
Health and Happiness (H&H) Singapore PTE. Limited	Singapore	SGD100	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) (Thailand) Co., Ltd	Thailand	THB100,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Trading India Private Limited	India	INR200,100,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults

31 December 2023

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Health and Happiness (H&H) Italy S.R.L	Italy	EUR10,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) UK Limited#	United Kingdom	GBP4,646,559	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) LLC (formerly known as "Health and Happiness (H&H) Inc")	America	USD18,024,784	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Hainan Nutrition Products Limited*	PRC/Mainland China	RMB1,500,000	–	100%	Trading and sale of pet food
Health and Happiness (H&H) Malaysia sdn. bhd.	Malaysia	MYR1,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Solid Gold Pet, LLC ("**Solid Gold**")	America	USD100,000	–	100%	Trading and sale of pet food
Zesty Paws, LLC ("**Zesty Paws**")ö#	America	USD20,498,861	–	100%	Trading and sale of nutritional supplements for pets
Biostime Pharma	France	EUR13,206,000	100%	–	Research and development of nutritional products

31 December 2023

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Swisse Wellness Pty Ltd.[#ö]	Australia	AUD100	–	100%	Research, development, procurement and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse Wellness Pty Limited[#] (Formerly Known as Swisse Wellness Pty Ltd.)	New Zealand	NZD10,100	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse China Limited[#ö]	Hong Kong	HKD1	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse Wellness (Guangzhou) Limited*	PRC/Mainland China	RMB1,500,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
S W Translink Packaging Pty Ltd.	Australia	AUD1	–	100%	Packaging service
PT Health and Happiness Indonesia	Indonesia	IDR10,001,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Taiwan Limited	PRC/Taiwan	TWD500,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults

31 December 2023

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

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

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

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

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

2.2 Changes in accounting policies and disclosures

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

The nature and the 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(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 and decommissioning obligations. 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.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 31 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(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. The Group has applied the amendments and the mandatory temporary exception retrospectively. Further disclosures are included in note 9 to the financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective international financial reporting standards

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] No mandatory effective date yet determined but available for adoption

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

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies

Investments in associates

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

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

Business combinations and goodwill

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Business combinations and goodwill (continued)

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

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

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

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

Fair value measurement

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Fair value measurement (continued)

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

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

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

Impairment of non-financial assets

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Intangible assets (other than goodwill)

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

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

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

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

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

Research and development costs

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

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

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

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

Simplified approach

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

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

Cash flow hedges

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

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

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

Hedges of net investments

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

Inventories

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

Cash and cash equivalents

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Income tax

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Income tax (continued)

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

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

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

(i) Rights of return

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

(ii) Sales rebates

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Other income

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

Contract liabilities

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

Right-of-return assets

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

Refund liabilities

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Share-based payments

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

Dividends

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Foreign currencies

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (continued)

Foreign currencies (continued)

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

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

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

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

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

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

If the inter-company loans are considered to be repaid in the foreseeable future and are not designated as the Company's net investments in foreign operations, the foreign exchange difference included in other expenses for the year would have been decreased by RMB71,996,000 while the exchange differences on net investments in foreign operations recognised in other comprehensive income would be decreased by the same amount.

Tax provisions

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

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties

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

Variable consideration for returns and sales rebates

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

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

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

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

The Group updates its assessment of expected returns and sales rebates monthly and the refund liabilities are adjusted accordingly. Estimates of expected returns and sales rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of the customers' actual returns and rebate entitlements in the future. As at 31 December 2023, the amount recognised as refund liabilities included in other payables and accruals was RMB561,164,000 (2022: RMB761,715,000) for the expected returns and sales rebates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to the financial statements. During the year, an impairment of goodwill of RMB55,671,000 (2022: RMB109,062,000) was charged to profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties (continued)

Impairment of intangible assets with indefinite useful lives

The Group determines whether intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the intangible assets with indefinite useful lives. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the trademarks, brand names and distribution rights and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to these financial statements. During the year, an impairment of trademark and brand names of RMB20,900,000 (2022: RMB25,413,000) was charged to profit or loss.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 12 and 15 to the financial statements, respectively.

Provision for expected credit losses on trade receivables

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties (continued)

Leases – Estimating the incremental borrowing rate

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

Provision for obsolete and slow-moving inventories

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

As at 31 December 2023, the carrying amount of inventories was approximately RMB2,374,801,000 (2022: RMB2,587,701,000) after netting off the allowance for inventories of approximately RMB321,099,000 (2022: RMB234,878,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 was RMB177,757,000 (2022: RMB68,039,000). As at 31 December 2023, deferred tax assets of RMB27,255,000 (2022: RMB36,667,000) have not been recognised in respect of tax losses of the Group. Further details are contained in note 31 to the financial statements.

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

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

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4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the year ended 31 December 2023:

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the year ended 31 December 2022:

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

* Including the special administrative regions of the PRC.

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of the revenue is as follows:

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

(i) Disaggregated revenue information

For the year ended 31 December 2023

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2022

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

* Including the special administrative regions of the PRC.

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

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

(ii) Performance obligations

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

Other income and gains

	2023 RMB'000	2022 RMB'000
Bank interest income	**22,676**	16,879
Interest income from loans and bonds receivables	**1,736**	3,140
Foreign exchange gains	**–**	76,669
Fair value gains on derivative financial instruments	**24,930**	23,596
Fair value changes on other non-current financial assets	**28,174**	–
Government subsidies*	**19,113**	18,508
Gains from sales of raw materials	**64,960**	23,882
Gains from sale of scraps	**7,389**	12,895
Gain on disposal of a leasehold land	**–**	3,399
Gains on revision of lease term or early termination of leases	**29**	3,175
Interest income from investment in Isigny Sainte Mère ("**ISM**")	**5,815**	1,522
Net gains on partial repurchase of the senior notes (note 30)	**20,803**	25,204
Reversal of impairment of other receivables	**7,083**	–
Reversal of impairment of property, plant and equipment	**1,273**	–
Others	**10,576**	10,949
Total other income and gains	**214,557**	219,818

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

6. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on interest-bearing bank loans and senior notes	**801,335**	524,192
Interest on lease liabilities (note 13(b))	**6,270**	6,100
Write-off of unamortised transaction costs and losses on modification upon refinancing of interest-bearing bank loans	**–**	31,851
Amortised gain of interest rate hedge in relation to previous term loan	**(62,908)**	(36,484)
Transaction costs, net of gain on exchange of senior notes	**28,792**	–
Total	**773,489**	525,659

7. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		5,318,971	4,823,197
Depreciation of property, plant and equipment	12	69,713	72,431
Depreciation of right-of-use assets	13(c)	36,500	38,576
Amortisation of intangible assets	15	196,040	200,276
Auditor's remuneration		8,047	7,880
Research and development costs**		206,077	158,188
Lease payments not included in the measurement of lease liabilities	13(c)	12,186	18,527
Gains on revision of lease term or early termination of leases*	13(c)	(29)	(3,175)
Gain on disposal of a leasehold land*	13(c)	–	(3,399)
Loss on disposal of items of property, plant and equipment and intangible assets**		2,677	8,071
Employee benefit expenses (including directors' and chief executive's remuneration) (note 8(a)):			
Wages and salaries		1,197,911	1,107,720
Pension scheme contributions (defined contribution schemes)		191,399	178,186
Staff welfare and other expenses		87,470	82,799
Reversal of equity-settled share option expense	33	(17,359)	(64,773)
Equity-settled share award expense	34	13,571	20,231
Total		1,472,992	1,324,163
Foreign exchange losses/(gains), net		4,771**	(76,669)*
Fair value gains on derivative financial instruments, net*	28	(24,930)	(23,596)
Fair value (gains)/losses on other non-current financial assets		(28,174)*	26,443**
(Reversal of impairment)/impairment of property, plant and equipment	12	(1,273)*	3,041**
Impairment of goodwill**	14	55,671	109,062
Impairment of intangible assets **	15	41,660	25,413
Impairment of trade receivables**	22	3,076	15,666
(Reversal of impairment)/impairment of other receivables		(7,083)*	13,213**
Write-down of inventories to net realisable value#		313,243	249,229
Net gains from partial repurchase of the senior notes*	5	(20,803)	(25,204)
Amortised gain of interest rate hedge in relation to previous term loan##	6	(62,908)	(36,484)
Transaction costs, net of gain on exchange of senior notes##	6	28,792	–

* Included in "Other income and gains" in profit or loss
** Included in "Other expenses" in profit or loss
# Included in "Cost of sales" in profit or loss
Included in "Finance costs" in profit or loss

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

(a) Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**6,823**	6,400
Other emoluments:		
Salaries, allowances and benefits in kind	**11,128**	20,924
Performance-related bonuses	**10,214**	24,337
Reversal of equity-settled share option expense	**(2,556)**	(33,228)
Equity-settled share award expense	**5,720**	8,817
Pension scheme contributions	**862**	8,877
Termination benefits	**2,677**	6,794
Subtotal	**28,045**	36,521
Total fees and other emoluments	**34,868**	42,921

During the year and in prior years, share options and share awards were granted to certain directors and chief executive in respect of their services to the Group, further details of which are set out in notes 33 and 34 to the financial statements, respectively. The fair values of these options and awards, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amounts included in the financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

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

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

The remuneration of each of the directors and the chief executive for the year ended 31 December 2023 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Reversal of equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Termination benefits RMB'000	Total RMB'000
2023								
Directors								
Executive directors:								
Mr. Luo Fei ("Mr. Luo")	800	2,464	207	-	-	24	-	3,495
Mr. Wang Yidong ("Mr. Wang")	800	5,747	7,667	(2,336)	2,880	216	-	14,974
Subtotal	1,600	8,211	7,874	(2,336)	2,880	240	-	18,469
Non-executive directors:								
Mrs. Laetitia Albertini (note (a))	1,223	-	-	-	1,502	-	-	2,725
Mr. Luo Yun	800	-	-	-	-	-	-	800
Dr. Zhang Wen hui	800	-	-	-	-	-	-	800
Subtotal	2,823	-	-	-	1,502	-	-	4,325
Independent non-executive directors:								
Mr. Tan Wee Seng	800	-	-	-	435	-	-	1,235
Mrs. Lok Lau Yin Ching	800	-	-	-	435	-	-	1,235
Professor Ding Yuan (note (b))	800	-	-	-	217	-	-	1,017
Subtotal	2,400	-	-	-	1,087	-	-	3,487
Total	6,823	8,211	7,874	(2,336)	5,469	240	-	26,281
Chief executive:								
Mr. Camillo Pane (note (c))	-	1,920	1,680	-	-	620	2,677	6,897
Chief executive officer ("CEO") Office arrangement (note (d))	133	1,744	660	(415)	491	22	-	2,635
Total	133	3,664	2,340	(415)	491	642	2,677	9,532
DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION								
Total*	6,823	11,128	10,214	(2,556)	5,720	862	2,677	34,868

* Taking into consideration the dual role of Mr. Luo and Mr. Wang as executive directors of the Company and members in the CEO office and to prevent duplicate counting, the aggregate remuneration payable to Mr. Luo and Mr. Wang of RMB945,000 for the period from 1 December 2023 to 31 December 2023 was excluded in the disclosure of the total amount for the directors' and chief executive's remuneration.

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

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

The remuneration of each of the directors and the chief executive for the year ended 31 December 2022 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Reversal of equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions* RMB'000	Termination benefits RMB'000	Total RMB'000
2022								
Executive directors:								
Mr. Luo Fei	800	2,969	–	–	–	23	–	3,792
Mrs. Laetitia Albertini (note (a)) (Chief executive)	800	12,607	18,356	(28,102)	4,205	8,648	6,794	23,308
Mr. Wang Yidong	800	5,348	5,981	(5,126)	3,337	206	–	10,546
Subtotal	2,400	20,924	24,337	(33,228)	7,542	8,877	6,794	37,646
Non-executive directors:								
Mr. Luo Yun	800	–	–	–	–	–	–	800
Dr. Zhang Wen hui	800	–	–	–	–	–	–	800
Subtotal	1,600	–	–	–	–	–	–	1,600
Independent non-executive directors:								
Mr. Tan Wee Seng	800	–	–	–	504	–	–	1,304
Mrs. Lok Lau Yin Ching	800	–	–	–	504	–	–	1,304
Mr. Wang Can (note (b))	800	–	–	–	267	–	–	1,067
Subtotal	2,400	–	–	–	1,275	–	–	3,675
Total	6,400	20,924	24,337	(33,228)	8,817	8,877	6,794	42,921

* The pension scheme contributions include the costs for social security plans paid to France social security directly

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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

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

Notes:

(a) Mrs. Laetitia Albertini has ceased to be the CEO of the Company with effect from 31 December 2022 and has been redesignated as a non-executive director with effect from 1 January 2023.

(b) Mr. Wang Can has resigned from the board of directors (the "Board") and ceased to be the chairman of the audit committee with effect from 31 December 2022 and Professor Ding Yuan has been appointed as an independent non-executive Director and the chairman of the audit committee with effect from 1 January 2023.

(c) Mr. Camillo Pane was appointed as the CEO from 1 September 2023 and resigned on 17 November 2023, whose remuneration is disclosed above.

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

The CEO Office comprise (i) the rotating CEO, the position of which will be sequentially taken by regional CEO of North America and Europe, regional CEO of Asia, Australia and New Zealand, and regional CEO of China, who will act as the CEO of the Group by rotation (in the abovementioned order) for a term of 9 months each commencing on 1 December 2023; and (ii) as standing members, the Group's chief financial officer, the Group's chief operating officer, the Group's chief people officer and the chairman of the Board. Mr. Akash Bedi served as the rotating CEO since 1 December 2023 for a term of 9 months. The members comprising the CEO Office for the period from 1 December 2023 to 31 December 2023 include Mr. Akash Bedi, Mr. Wang, Mr. Zhang Qizhang and Mr. Luo.

No remuneration was paid to the CEO Office and the remuneration paid to the members comprising the CEO Office for the period from 1 December 2023 to 31 December 2023, is disclosed above.

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

(b) Five highest paid employees

The five highest paid employees during the year included two (2022: two) directors, details of whose remuneration are set out in note 8(a) above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	14,094	8,918
Performance-related bonuses	15,526	11,627
Reversal of equity-settled share option expense	(3,936)	(2,056)
Equity-settled share award expense	4,609	4,316
Pension scheme contributions	218	122
Total	30,511	22,927

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HKD8,000,001 to HKD8,500,000	–	1
HKD8,500,001 to HKD9,000,000	–	1
HKD9,000,001 to HKD9,500,000	1	–
HKD9,500,001 to HKD10,000,000	–	1
HKD10,500,001 to HKD11,000,000	1	–
HKD14,000,001 to HKD14,500,000	1	–
Total	3	3

During the year and in prior years, share options and share awards were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in notes 33 and 34 to the financial statements, respectively. The fair values of these share options and share awards, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amount included in the financial statements for the current year are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. INCOME TAX

	2023 RMB'000	2022 RMB'000
Current		
– Charge for the year		
Mainland China	112,829	295,726
Hong Kong	126,103	121,188
Australia	97,799	40,667
Elsewhere	420	2,773
– Over provision in the prior year	(2,823)	(789)
Deferred (note 31)	17,429	(40,417)
Total	351,757	419,148

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

PRC enterprise income tax ("EIT")

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

Guangzhou Hapai and Biostime Health, the Company's wholly-owned subsidiaries operating in mainland China, were recognised as high-technology enterprise in December 2022 and 2023, respectively, and are subject to EIT at a rate of 15% for three years from 2022 to 2024 and from 2023 to 2025, respectively. Therefore, Guangzhou Hapai and Biostime Health were subject to EIT at a rate of 15% for the years ended 31 December 2023 and 2022.

Hong Kong profits tax

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

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9. INCOME TAX (CONTINUED)

Australia corporate income tax

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

Tax consolidation legislation

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

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

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

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

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

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

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

As a top 1,000 taxpayer in Australia, Biostime Healthy Australia is subject to the Australian Tax Office's (ATO) compliance programs, which started in August 2019. Biostime Healthy Australia is currently undergoing an Australian tax examination for which the timing of resolution and any potential economic outcome is unable to be determined at this stage. This examination is expected to continue until 31 December 2024 and potentially beyond that date. Biostime Healthy Australia is being assisted in the discussions by external advisors.

9. INCOME TAX (CONTINUED)

Income tax for other jurisdictions

The Group's tax provision in respect of other jurisdictions has been calculated at the applicable tax rates in accordance with the prevailing practices of the jurisdictions in which the Group operates.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	**933,602**	1,030,931
Tax at the applicable PRC enterprise income tax rate	**233,401**	257,733
Overseas tax differences	**(17,723)**	(22,004)
Tax effects on preferential tax rates	**(27,584)**	(33,641)
Expenses not deductible for tax	**162,621**	154,574
Tax incentive on eligible expenses	**(7,704)**	(5,625)
Tax losses utilised from previous periods	**(744)**	(1,810)
Income not subject to tax	**(37,070)**	(31,504)
Tax losses not recognised	**27,255**	36,667
Tax on internal transfer of assets	**–**	33,834
Adjustment in respect of current tax of previous periods	**(2,823)**	(789)
Effect of withholding tax at 5% (2022: 5%) on the distributable profits of the Group's subsidiaries in mainland China	**22,128**	31,713
Tax charge at the Group's effective rate	**351,757**	419,148

Pillar Two income taxes

As stated in note 2.2(d), the Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. In a limited number of jurisdictions, the relevant entities are suffering losses or the transitional safe harbour relief applies. The management is not currently aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

10. DIVIDENDS

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

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

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

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

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

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

	2023 RMB'000	2022 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	581,845	611,783

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	645,561,354	645,240,237
Weighted average number of shares held for the share award schemes	(5,420,239)	(5,208,258)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	640,141,115	640,031,979
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	4,725,807	4,290,732
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	644,866,922	644,322,711

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2023	275,599	376,897	146,538	12,411	126,833	26,556	964,834
Additions	–	17,418	8,509	242	5,180	24,759	56,108
Disposals	–	(888)	(23,232)	(1,872)	(737)	(736)	(27,465)
Transfers	–	14,455	3,508	–	1,843	(19,806)	–
Exchange realignment	–	4,631	2,130	15	1,590	828	9,194
At 31 December 2023	275,599	412,513	137,453	10,796	134,709	31,601	1,002,671
Accumulated depreciation and impairment:							
At 1 January 2023	104,178	257,708	116,742	7,734	87,049	3,041	576,452
Depreciation provided during the year (note 7)	13,344	34,621	10,292	1,425	10,031	–	69,713
Reversal of impairment for this year (note 7)	–	–	–	–	–	(1,273)*	(1,273)
Disposals	–	(72)	(15,640)	(1,632)	(638)	–	(17,982)
Exchange realignment	–	3,573	1,661	13	969	–	6,216
At 31 December 2023	117,522	295,830	113,055	7,540	97,411	1,768	633,126
Net carrying amount:							
At 31 December 2023	158,077	116,683	24,398	3,256	37,298	29,833	369,545

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2022	275,568	383,862	161,808	14,114	117,187	23,759	976,298
Additions	31	2,108	7,783	1,073	12,739	3,522	27,256
Disposals	–	(10,706)	(25,915)	(2,805)	(3,660)	(1,018)	(44,104)
Transfers	–	–	558	–	–	(558)	–
Exchange realignment	–	1,633	2,304	29	567	851	5,384
At 31 December 2022	275,599	376,897	146,538	12,411	126,833	26,556	964,834
Accumulated depreciation and impairment:							
At 1 January 2022	90,830	225,168	125,482	8,887	81,553	–	531,920
Depreciation provided during the year (note 7)	13,348	38,942	11,464	1,363	7,314	–	72,431
Impairment for the year (note 7)	–	–	–	–	–	3,041*	3,041
Disposals	–	(7,827)	(21,454)	(2,544)	(2,332)	–	(34,157)
Exchange realignment	–	1,425	1,250	28	514	–	3,217
At 31 December 2022	104,178	257,708	116,742	7,734	87,049	3,041	576,452
Net carrying amount:							
At 31 December 2022	171,421	119,189	29,796	4,677	39,784	23,515	388,382

* During the year, an impairment of RMB1,273,000 was reversed (2022: an impairment of RMB3,041,000 was provided) as a leasehold improvement project in progress was reused.

13. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, buildings, plant and machinery, vehicles and office equipment. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings have varying lease terms of 1 to 10 years. Leases of plant and machinery generally have lease terms between 2 and 5 years, while vehicles and office equipment generally have lease terms between 1 and 10 years. The Group identified a lease embedded within a supplier contract for packaging and production for their operations, the obligations to which are expected to expire within 5.5 years.

The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Buildings RMB'000	Plant and Machinery RMB'000	Vehicles and office equipment RMB'000	Supplier contract RMB'000	Total RMB'000
As at 1 January 2022	54,375	71,794	4,705	1,822	12,221	144,917
Additions	6,242	40,928	–	4,387	–	51,557
Depreciation charge (note 7)	(1,509)	(26,658)	(1,311)	(4,170)	(4,928)	(38,576)
Early termination of leases	–	(8,811)	–	–	–	(8,811)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(867)	–	–	–	(867)
Disposal	(5,999)	–	–	–	–	(5,999)
Exchange realignment	–	174	80	53	192	499
As at 31 December 2022 and 1 January 2023	**53,109**	**76,560**	**3,474**	**2,092**	**7,485**	**142,720**
Additions	**–**	**29,146**	**–**	**5,775**	**–**	**34,921**
Depreciation charge (note 7)	**(1,484)**	**(25,253)**	**(1,318)**	**(3,491)**	**(4,954)**	**(36,500)**
Disposal	**–**	**(1,515)**	**–**	**–**	**–**	**(1,515)**
Exchange realignment	**–**	**1,297**	**55**	**174**	**50**	**1,576**
As at 31 December 2023	**51,625**	**80,235**	**2,211**	**4,550**	**2,581**	**141,202**

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**101,143**	102,582
New leases	**34,921**	45,315
Early termination of leases	**(1,544)**	(12,548)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	(305)
Accretion of interest recognised during the year (note 6)	**6,270**	6,100
Payments	**(36,315)**	(40,976)
Exchange realignment	**2,583**	975
Carrying amount at 31 December	**107,058**	101,143
Analysed into:		
Current portion	**37,415**	21,960
Non-current portion	**69,643**	79,183

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

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities (note 6)	**6,270**	6,100
Depreciation charge of right-of-use assets (note 7)	**36,500**	38,576
Gains on revision of a lease term and early termination of leases (note 7)	**(29)**	(3,175)
Gain on disposal of a leasehold land (note 7)	**–**	(3,399)
Expense relating to short-term leases and leases of low-value assets (note 7)	**12,186**	18,527
Total amount recognised in profit or loss	**54,927**	56,629

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 36(c) and 38(b), respectively, to the financial statements.

14. GOODWILL

	2023 RMB'000	2022 RMB'000
At 1 January		
Cost	**7,869,155**	7,547,994
Accumulated impairment	**(185,062)**	(76,000)
Net carrying amount	**7,684,093**	7,471,994
Cost at 1 January, net of accumulated impairment	**7,684,093**	7,471,994
Impairment during the year (note 7)	**(55,671)**	(109,062)
Exchange realignment	**192,100**	321,161
At 31 December	**7,820,522**	7,684,093
At 31 December		
Cost	**8,071,122**	7,869,155
Accumulated impairment	**(250,600)**	(185,062)
Net carrying amount	**7,820,522**	7,684,093

Impairment testing of goodwill

During the year ended 31 December 2023, an impairment loss of RMB55,671,000 was provided on the CGU under the other paediatric products segment (2022: impairment losses of RMB109,062,000 on two CGUs under the adult nutrition and care products segment and the other paediatric products segment).

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

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15. INTANGIBLE ASSETS

	Trademark and brand name* RMB'000	Licence RMB'000	Customer relationships RMB'000	D2C E-commerce Platform RMB'000	Unpatented product formula RMB'000	Distribution rights* RMB'000	Product registrations RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:									
At 1 January 2023	3,801,881	228,785	1,755,165	30,261	58,306	556,512	4,372	150,835	6,586,117
Additions	4,937	–	–	–	72	–	37,690	23,626	66,325
Disposal	–	–	–	–	(215)	–	–	(12,571)	(12,786)
Exchange realignment	91,561	3,569	42,359	2,332	1,751	–	111	3,787	145,470
At 31 December 2023	3,898,379	232,354	1,797,524	32,593	59,914	556,512	42,173	165,677	6,785,126
Accumulated amortisation and impairment:									
At 1 January 2023	25,413	87,741	700,804	12,778	27,843	–	1,338	90,893	946,810
Amortisation provided during the year (note 7)	–	14,218	148,712	3,170	5,539	–	2,705	21,696	196,040
Impairment during the year# (note 7)	20,900	–	4,089	15,850	–	–	821	–	41,660
Disposal	–	–	–	–	(181)	–	–	(11,770)	(11,951)
Exchange realignment	3,219	1,306	21,097	795	1,021	–	52	2,668	30,158
At 31 December 2023	49,532	103,265	874,702	32,593	34,222	–	4,916	103,487	1,202,717
Net carrying amount:									
At 31 December 2023	3,848,847	129,089	922,822	–	25,692	556,512	37,257	62,190	5,582,409

15. INTANGIBLE ASSETS (CONTINUED)

	Trademark and brand name* RMB'000	Licence RMB'000	Customer relationships RMB'000	D2C E-commerce Platform RMB'000	Unpatented product formula RMB'000	Distribution rights* RMB'000	Product registrations RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:									
At 1 January 2022	3,606,232	226,366	1,675,351	31,026	55,995	556,512	4,402	119,652	6,275,536
Additions	35	–	–	–	1,749	–	–	29,876	31,660
Disposal	–	–	–	–	(564)	–	–	(1,821)	(2,385)
Exchange realignment	195,614	2,419	79,814	(765)	1,126	–	(30)	3,128	281,306
At 31 December 2022	3,801,881	228,785	1,755,165	30,261	58,306	556,512	4,372	150,835	6,586,117
Accumulated amortisation and impairment:									
At 1 January 2022	–	72,950	529,913	9,306	22,364	–	1,144	67,423	703,100
Amortisation provided during the year (note 7)	–	14,258	154,640	3,659	5,321	–	219	22,179	200,276
Impairment during the year# (note 7)	25,413	–	–	–	–	–	–	–	25,413
Disposal	–	–	–	–	(361)	–	–	(1,228)	(1,589)
Exchange realignment	–	533	16,251	(187)	519	–	(25)	2,519	19,610
At 31 December 2022	25,413	87,741	700,804	12,778	27,843	–	1,338	90,893	946,810
Net carrying amount:									
At 31 December 2022	3,776,468	141,044	1,054,361	17,483	30,463	556,512	3,034	59,942	5,639,307

* Trademark, brand name and distribution rights are regarded as having indefinite useful lives as they are expected to generate net cash inflows to the Group indefinitely. As at 31 December 2023 and 2022, these intangible assets with indefinite useful lives were tested for impairment (note 16).

\# As at 31 December 2023, based on the recoverable amount of nil under the value in use calculation, impairment losses amounting to RMB20,900,000 (2022: RMB25,413,000) and RMB20,760,000 (2022: nil) were recognised on the brand name and other intangible assets of Aurelia™, respectively, details of which was disclosed in note 16 to the financial statements.

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

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives acquired through business combinations have been allocated to individual CGUs under the following five categories.

- Infant formulas;
- Adult nutrition and care products;
- Other paediatric products; and
- Pet nutrition and care products.

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

The respective carrying amounts of goodwill and intangible assets with indefinite useful lives allocated to the different CGUs, being the acquired companies or brands, are set out below:

	2023		2022	
	Goodwill RMB'000	Intangible assets with indefinite useful lives RMB'000	Goodwill RMB'000	Intangible assets with indefinite useful lives RMB'000
Infant formulas				
– Healthy Times™	**43,434**	**34,529**	42,710	32,909
– Biostime Changsha	**–**	**–**	–	–
– Farmland	**75,356**	**–**	73,264	–
	118,790	**34,529**	115,974	32,909
Adult nutrition and care products				
– Swisse™	**4,948,710**	**1,815,905**	4,811,326	1,765,492
– Swisse™ distribution right	**–**	**556,512**	–	556,512
– Aurelia™	**–**	**–**	–	20,575
	4,948,710	**2,372,417**	4,811,326	2,342,579
Other paediatric products supplements				
– Good Gout™	**50,108**	**90,101**	101,396	81,652
– Dodie™	**63,037**	**16,351**	59,538	15,443
	113,145	**106,452**	160,934	97,095
Pet nutrition and care products				
– Solid Gold™	**434,310**	**392,544**	427,068	386,029
– Zesty Paws™	**2,205,567**	**1,499,417**	2,168,791	1,474,368
	2,639,877	**1,891,961**	2,595,859	1,860,397
	7,820,522	**4,405,359**	7,684,093	4,332,980

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

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projection based on financial budgets or forecasts approved by management covering a period of five years. The growth rates used to extrapolate the cash flows beyond the period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

The pre-tax discount rates applied to cash flow projections and the growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	Discount rate		Growth rate	
	2023	2022	**2023**	2022
Infant formulas	**16.2%-17.4%**	16.2%-16.9%	**2.2%**	2.3%
Adult nutrition and care products	**11.6%-15.6%**	11.7%-15.5%	**2.0%-2.7%**	2.0%-2.7%
Other paediatric products	**11.5%-15.8%**	11.7%-16.1%	**2.0%**	2.0%-2.2%
Pet nutrition and care products	**9.4%-11.5%**	10.8%-11.5%	**2.0%**	2.0%-2.3%

Assumptions were used in the value in use calculation of each CGU as at 31 December 2023 and 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and intangible assets with indefinite useful lives:

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

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

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

Forecast raw materials purchase prices – The bases used to determine the values assigned to forecast raw materials purchase prices are the forecasted price indices during the budget year for those countries where raw materials are sourced.

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

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

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

Following the annual impairment testing, an impairment loss of RMB76,571,000 (2022: RMB134,475,000) was charged to profit or loss during the year, due to the relevant intensive market competition. The details of the impairment loss were listed below:

CGU	Notes	Reportable segment	2023 RMB'000	2022 RMB'000
Aurelia™	(a)	Adult nutrition and care products	**20,900**	128,044
Good Gout™	(b)	Other paediatric products	**55,671**	6,431
			76,571	134,475

Notes:

(a) As at 31 December 2023, based on the recoverable amount of nil under the value in use calculation, an impairment loss amounting to RMB20,900,000 was recognised on the brand name of Aurelia™ (2022: RMB102,631,000 and RMB25,413,000 were recognised on the relevant goodwill and the brand name of Aurelia™ respectively).

Aurelia™ was acquired in 2019 and was engaged in research, development and sale of probiotic skincare products. The impairment losses were due to intense competition in the market of skincare products, which resulted in a decrease in sales of the CGU for the year as compared to the forecast, and a corresponding decrease in expected future cash flow of the CGU.

(b) As at 31 December 2023, based on the recoverable amount of RMB154,177,000 (2022: RMB207,104,000) under the value in use calculation, an impairment loss amounting to RMB55,671,000 (2022: RMB6,431,000) was recognised on the relevant goodwill of Good Gout™, which arose from the expected decline in the market demand. Good Gout™ was acquired in 2018 and was engaged in marketing and distribution of baby food products.

17. BONDS RECEIVABLE

	2023 RMB'000	2022 RMB'000
Bonds receivable	**78,592**	74,229
Less: Current portion	**(78,592)**	–
Non-current portion	**–**	74,229

The Group entered into a bond subscription agreement with ISM (the "**Bond Subscription Agreement**") on 2 January 2019, pursuant to which ISM issued, and the Group subscribed for 10,000,000 bonds, with a nominal value of EUR1 per bond, at a subscription price equivalent to the face value of the bond. The bonds bear interest at a rate of 2% per annum. The bonds will mature on 2 January 2024, five years from the date of the Bond Subscription Agreement. The carrying amount of bonds receivable approximates to their fair value.

The above bonds receivable balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

18. DEPOSITS

	2023 RMB'000	2022 RMB'000
Deposits paid for purchase of items of property, plant and equipment	5,918	5,943
Deposits paid for purchase of intangible assets	15,268	48,685
Rental deposits	7,717	7,214
Total	28,903	61,842

19. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	76,558	93,743
Goodwill on acquisition	58,392	58,392
Total	134,950	152,135

The Group's prepayment with an associate are disclosed in note 23 to the financial statements, respectively.

Particulars of the associates are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Hangzhou Coamie Personal Care Products Co., Ltd.	RMB200,000,000	PRC/Mainland China	20%	Manufacture, retail and import and export of baby diapers
PROVEN Group, Inc. (formerly known as Life Spectacular, Inc.)	USD480	United States	23%	Development and sale of customised skincare products

The Group's shareholding in the associates represents equity shares held through the wholly-owned subsidiaries of the Company.

The following table illustrates the financial information of the Group's associates that is not material to the Group:

	2023 RMB'000	2022 RMB'000
Share of the associates' losses for the year	(17,185)	(21,633)
Share of the associates' total comprehensive losses	(17,185)	(21,633)
Aggregate carrying amount of the Group's investments in the associates	134,950	152,135

20. OTHER NON-CURRENT FINANCIAL ASSETS

	2023 RMB'000	2022 RMB'000
Financial assets at fair value through profit or loss:		
– Unlisted equity investments (note (a))	**66,368**	46,439
– Other unlisted investments (note (b))	**120,510**	106,649
Subtotal	**186,878**	153,088
Equity investments designated at fair value through other comprehensive income: (note (c))		
– Listed equity investments:		
BOD Australia Limited	**1,730**	10,511
Else Nutrition Holdings Limited	**12,444**	30,180
– Other unlisted investments	**1,306**	1,238
Subtotal	**15,480**	41,929
Total	**202,358**	195,017

Notes:

(a) These unlisted equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

(b) These unlisted investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(c) These equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

21. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**554,568**	652,111
Goods in transit	**358,795**	671,558
Work in progress	**4,698**	3,623
Finished goods	**1,456,740**	1,260,409
Total	**2,374,801**	2,587,701

22. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**26,249**	24,968
Impairment losses recognised (note 7)	**6,180**	20,048
Amount written off as uncollectible	**(4,809)**	(15,825)
Impairment losses reversed (note 7)	**(3,104)**	(4,382)
Exchange realignment	**1,214**	1,440
At end of year	**25,730**	26,249

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.86%	2.50%	9.95%	16.92%	2.41%
Gross carrying amount (RMB'000)	701,737	273,199	37,819	53,945	1,066,700
Expected credit losses (RMB'000)	6,005	6,833	3,762	9,130	25,730

As at 31 December 2022

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	1.26%	4.99%	14.49%	23.12%	3.51%
Gross carrying amount (RMB'000)	558,146	124,368	24,334	40,914	747,762
Expected credit losses (RMB'000)	7,060	6,204	3,527	9,458	26,249

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

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments	115,998	85,986
Deposits	5,736	4,066
Other receivables	106,409	69,474
Prepaid expenses	17,667	19,743
Right-of-return assets	1,303	13,248
	247,113	192,517
Impairment allowance	–	(13,213)
Total	247,113	179,304

As at 31 December 2023, the balance due from the Group's associate included in the prepayments was RMB4,000 (2022: RMB4,000).

During the year, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	1,363,857	2,227,362
Time deposits	426	76,298
Restricted deposits	7,430	10,767
Subtotal	1,371,713	2,314,427
Less:		
Restricted deposits for custom duties	–	(10,000)
Restricted deposits for operating leases	(789)	(767)
Restricted deposits for operating activity of a subsidiary	(6,641)	–
Subtotal	(7,430)	(10,767)
Cash and cash equivalents as stated in the consolidated statement of financial position	1,364,283	2,303,660
Less:		
Non-pledged time deposit with original maturity of three months or more when acquired	–	(6,000)
Cash and cash equivalents as stated in the consolidated statement of cashflow	1,364,283	2,297,660
Denominated in RMB (note)	660,983	1,097,543
Denominated in other currencies	710,730	1,216,884
Total	1,371,713	2,314,427

Note:

The RMB is not freely convertible into other currencies, however, under mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. Long-term time deposits are with an original maturity over one year when acquired. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

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

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

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

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

26. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000
Salaries and welfare payables		**261,764**	208,272
Accruals		**1,122,435**	971,927
Other tax payables		**122,510**	140,983
Other payables	(a)	**154,307**	121,646
Refund liabilities	(b)	**561,164**	761,715
Total		**2,222,180**	2,204,543
Less: Current portion		**(2,216,061)**	(2,199,256)
Non-current portion		**6,119**	5,287

Notes:

(a) Other payables are non-interest-bearing and have an average term of three months.

(b) Details of refund liabilities are as follows:

	2023 RMB'000	2022 RMB'000
Sales rebate	**556,511**	717,609
Sales return	**4,653**	44,106
Total	**561,164**	761,715

27. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Advances from customers	200,461	266,613	264,215

Contract liabilities represented the obligations to transfer goods to customers for which the Group has received consideration. Included in contract liabilities are advances received from customers.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2023 Assets RMB'000	2023 Liabilities RMB'000	2022 Assets RMB'000	2022 Liabilities RMB'000
Current					
Early redemption option embedded in the senior notes	(a)	769	–	–	–
The Swaps (as defined below)	(b)	–	64,666	–	–
The CCSs (as defined below)					
– designated as hedge	(c)	–	8,341	8,936	–
– not designated as hedge	(c)	158	30,917	–	–
Total		927	103,924	8,936	–
Non-current					
Early redemption option embedded in the senior notes	(a)	14,355	–	13,760	–
The Swaps (as defined below)	(b)	10,413	–	76,790	1,531
The CCSs (as defined below)					
– designated as hedge	(c)	23,289	22,311	37,531	139,971
– not designated as hedge	(c)	–	28,335	–	42,247
Total		48,057	50,646	128,081	183,749

Notes:

(a) An early redemption option is embedded in the senior notes, details of which are set out in note 30 to the financial statements. The fair value of the early redemption option as at 31 December 2023 was RMB15,124,000 (2022: RMB13,760,000). A fair value loss of RMB14,852,000 was charged to profit or loss for the year (2022: a loss of RMB1,178,000).

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(b) Cash flow hedges

As at 31 December 2023 and 2022, the Group had certain cross currency interest rate swaps and cross currency swaps (collectively, the "**Swaps**") to hedge its exposure arising from bank borrowings carried at floating rates and denominated in foreign currencies. Under the Swaps, the Group agreed with the counterparties to exchange, at specified interval, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts in specified currencies.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the Swaps match the term of the term loans denominated in USD. The cash flow hedge relating to the expected interest and principal payments was assessed to be highly effective. The net fair value of the Swaps as at 31 December 2023 was negative of RMB54,253,000 (2022: a positive of RMB75,259,000). A loss of RMB80,489,000 (2022: a gain of RMB324,640,000) was included in the cash flow hedge reserve and a gain of the ineffective portion of RMB85,000 was recognised in profit or loss for the year (2022: a gain of RMB3,537,000).

Hedge ineffectiveness can arise from:

- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(b) Cash flow hedges (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount USD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000
As at 31 December 2023				
Swaps A	**171,513**	**10,413**	**Derivative financial instruments assets**	**10,076**
Swaps B	**179,733**	**(64,666)**	**Derivative financial instruments (liabilities)**	**(62,579)**
As at 31 December 2022				
Swaps A	517,917	76,790	Derivative financial instruments assets	78,138
Swaps B	150,000	(1,531)	Derivative financial instruments (liabilities)	(1,472)

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(b) Cash flow hedges (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Carrying amount RMB'000	Change in fair value used for measuring ineffectiveness RMB'000	Cash flow hedge reserve RMB'000
As at 31 December 2023			
USD interest-bearing bank loans	2,509,670	(63,804)	2,000
As at 31 December 2022			
USD interest-bearing bank loans	5,208,022	78,169	54,671

The effects of the cash flow hedge on the statement of profit or loss and other comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in profit or loss
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	RMB'000		Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	
Year ended 31 December 2023									
USD interest-bearing bank loans	(80,489)	27,521	(52,968)	85	Other expense	425	(128)	297	Finance costs/ other expense
Year ended 31 December 2022									
USD interest-bearing bank loans	324,640	(93,870)	230,770	3,537	Other expense	(258,594)	88,395	(170,199)	Finance costs/ other expense

(c) Hedges of net investments in foreign operations

As at 31 December 2023 and 31 December 2022, the Company had certain cross currency swap and cross currency interest rate swap agreements (the "**CCSs**") to hedge its exposure of foreign currency risks arising from its investment in mainland China and Australia. Under the CCSs, the Company agreed with the counterparties to exchange, at specified interval, the difference between fixed contract rates and fixed or floating-rate interest amounts calculated by reference to the agreed notional amounts in the specified currencies.

For the CCSs designated as hedging instruments, there is an economic relationship between the hedge item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the CCSs. The Company has established a hedge ration of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investments in the foreign subsidiaries becomes lower than the amount of the CCSs.

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(c) Hedges of net investments in foreign operations (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount USD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000
As at 31 December 2023				
CCSs A	**179,800**	**(22,311)**	**Derivative financial instruments (liabilities)**	**(16,291)**
CCSs B	**50,000**	**(8,341)**	**Derivative financial instruments (liabilities)**	**(21,313)**
CCSs C	**321,000**	**23,289**	**Derivative financial instruments assets**	**22,546**
As at 31 December 2022				
CCSs A	225,000	(139,971)	Derivative financial instruments (liabilities)	(177,631)
CCSs B	50,000	8,936	Derivative financial instruments assets	12,305
CCSs C	321,000	37,531	Derivative financial instruments assets	37,217

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(c) Hedges of net investments in foreign operations (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring Ineffectiveness RMB'000	Exchange fluctuation reserve RMB'000
As at 31 December 2023		
Net investments in foreign subsidiaries	**(23,839)**	**(204,567)**
As at 31 December 2022		
Net investments in foreign subsidiaries	(52,455)	(245,912)

During the year, in respect of the CCSs designated as hedging instruments, a net gain of RMB41,345,000 (2022: a net gain of RMB62,220,000) arising from the changes in fair value was included in exchange fluctuation reserve and a net gain of RMB66,251,000 (2022: a net gain of RMB18,523,000) was recognised in profit or loss. For the CCSs not designated as hedging instruments, a net loss of RMB26,554,000 (2022: a net gain of RMB6,361,000) was recognised in profit or loss during the year.

29. INTEREST-BEARING BANK LOANS

	31 December 2023			31 December 2022		
	Effective interest rate (%)**	Maturity*	RMB'000	Effective interest rate (%)**	Maturity	RMB'000
Current						
Secured bank loan	–	–	–	HIBOR+margin	Jun-23	113,166
Secured bank loan	–	–	–	SOFR+margin	Jun-23	275,512
Secured bank loan	–	–	–	HIBOR+margin	Dec-23	167,753
Secured bank loan	–	–	–	SOFR+margin	Dec-23	410,811
Secured bank loan*	HIBOR+margin	Jun-24	219,539	–	–	–
Secured bank loan*	SOFR+margin	Jun-24	538,074	–	–	–
Secured bank loan*	HIBOR+margin	Dec-24	850,875	–	–	–
Secured bank loan*	SOFR+margin	Dec-24	2,093,341	–	–	–
Unsecured bank loan	LPR+margin	Mar-24	50,537	–	–	–
Unsecured bank loan	LPR+margin	Sep-24	50,000	–	–	–
Unsecured bank loan (note (c))	LPR+margin	Mar-25	50,053	–	–	–
Unsecured bank loan (note (c))	LPR+margin	Sep-25	10,011	–	–	–
Unsecured bank loan (note (c))	LPR+margin	Nov-25	335,358	–	–	–
Secured bank loan	LPR+margin	Sep-24	90,108	–	–	–
Unsecured bank loan	LPR+margin	Jun-24	1,011	–	–	–
Unsecured bank loan	LPR+margin	Dec-24	1,000	–	–	–
Total – current			4,289,907			967,242
Non-current						
Secured bank loan	–	–	–	HIBOR+margin	Jun-24	225,663
Secured bank loan	–	–	–	SOFR+margin	Jun-24	539,536
Secured bank loan	–	–	–	HIBOR+margin	Dec-24	846,237
Secured bank loan	–	–	–	SOFR+margin	Dec-24	2,023,260
Secured bank loan*	HIBOR+margin	Jun-25	932,382	HIBOR+margin	Jun-25	902,652
Secured bank loan*	SOFR+margin	Jun-25	2,214,538	SOFR+margin	Jun-25	2,158,143
Secured bank loan	LPR+margin	Sep-25	10,052	–	–	–
Unsecured bank loan	LPR+margin	Jun-25	1,002	–	–	–
Unsecured bank loan	LPR+margin	Dec-25	1,002	–	–	–
Unsecured bank loan	LPR+margin	Jun-26	1,002	–	–	–
Unsecured bank loan	LPR+margin	Dec-26	5,010	–	–	–
Total – non-current			3,164,988			6,695,491
Total			7,454,895			7,662,733

29. INTEREST-BEARING BANK LOANS (CONTINUED)

	2023 RMB'000	2022 RMB'000
Analysed into:		
Within one year or on demand	**4,289,907**	967,242
In the second year	**3,158,976**	3,634,696
In the third to fifth years, inclusive	**6,012**	3,060,795
Total	**7,454,895**	7,662,733

* The secured bank loans shall become due in full if the 2024 Notes (as defined in note 30) have not been repaid or otherwise refinanced, refunded, replaced, exchanged, renewed, redeemed, defeased, discharged, or extended, in full on or prior to the date falling 3 months prior to the maturity of the 2024 Notes.

** HIBOR stands for the Hong Kong InterBank Offered Rate

SOFR stands for the Secured Overnight Financing Rate

LPR stands for the Loan Prime Rate

Notes:

(a) As at 31 December 2023 and 2022, certain of the Group's interest-bearing bank loans are guaranteed on a joint and several basis by the Company and certain of the Company's subsidiaries and are secured by fixed and floating charges over present and future assets of the Company and certain of its subsidiaries and assignments over the Company's and certain of its subsidiaries' rights to their material contracts and insurance policies. In addition, certain subsidiaries' shares are also pledged.

(b) Certain of the Group's interest-bearing bank loans are subject to the fulfilment of certain covenants relating to limitations on indebtedness. The Company regularly monitors its compliance with these covenants.

(c) As at 31 December 2023, a PRC subsidiary of the Group was not meeting with certain undertaking requirement as stipulated in the agreement of an onshore interest-bearing bank loan amounting to RMB495,959,000. Besides the portion of balance repayable within 12 months, the remaining balance of RMB395,422,000, which are repayable beyond 12 months, has been accounted for as current liabilities. A waiver has been obtained subsequent to the end of the reporting period.

(d) As at 31 December 2023, the Group's interest-bearing bank loans were denominated in USD, HKD and RMB at aggregate amounts of RMB4,845,953,000 (2022: RMB5,407,262,000), RMB2,002,796,000 (2022: RMB2,255,471,000) and RMB606,146,000 (2022: Nil), respectively.

30. SENIOR NOTES

On 24 October 2019, the Company issued senior notes due 24 October 2024 with an aggregate principal amount of USD300,000,000 and coupon interest rate of 5.625% per annum (the "**2024 Notes**"). The Company repurchased the 2024 Notes with an aggregate principal amount of USD29,844,000 from the open market prior to 31 December 2022.

On 26 June 2023, the Company issued new senior notes due 26 June 2026 with an aggregate principal amount of USD200,000,000 and coupon interest rate of 13.5% per annum (the "**2026 Notes**"), among which, USD141,793,000 were issued for exchange of the 2024 Notes and USD58,207,000 (approximately RMB403,322,000) were newly issued.

During the year, the Company repurchased the 2024 Notes and the 2026 Notes with an aggregate principal amount of USD68,211,000 (approximately RMB483,118,000) and USD20,200,000 (approximately RMB143,071,000), respectively, from the open market.

30. SENIOR NOTES (CONTINUED)

The 2024 Notes and the 2026 Notes are both listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The 2024 Notes are jointly and severally guaranteed, on a senior subordinated basis, by certain subsidiaries of the Company, and are secured on a second-ranking basis by a floating charge over the assets of the Company (other than any assets located in the PRC or shares of subsidiaries). The 2026 Notes are jointly and severally guaranteed, on a senior basis, by certain subsidiaries of the Company. The 2026 Notes and the Group's subsidiary guarantees are secured on a first-ranking basis, by floating charges over all or substantially all assets of the Company and its initial subsidiary guarantors (in each case other than any assets located in the PRC or shares of subsidiaries in the PRC that will not secure the 2026 Notes) and pledges/charges over shares of the initial subsidiary guarantors, namely H&H China and Biostime Health.

Pursuant to their terms, the 2024 Notes and 2026 Notes are subject to the fulfilment of covenants relating to limitations on indebtedness and certain transactions of the Company and certain of its subsidiaries. The Company regularly monitors its compliance with these covenants.

The Company may redeem part or all of the senior notes at certain time and certain redemption prices as specified in the terms of the senior notes.

As at 31 December 2023, the fair value of the early redemption option embedded in the senior notes amounted to RMB15,142,000 (31 December 2022: RMB13,760,000), details of which are set out in note 28(a) to the financial statements.

The movements of the senior notes during the years ended 31 December 2022 and 2023 are set out below:

	RMB'000
At 1 January 2022	1,938,452
Partial repurchase of the senior notes	(183,209)
Net gain on partial repurchase of the senior notes (note 5)	(25,204)
Interest charged during the year	109,087
Interest paid during the year	(112,767)
Exchange realignment	179,200
At 31 December 2022 and 1 January 2023	**1,905,559**
Partial repurchase of the senior notes	**(599,642)**
Gain on partial repurchase of the senior notes (note 5)	**(20,803)**
Gain on exchange of senior notes	**(31,548)**
Upon the completion of the issuance of senior notes	
Proceeds received	**407,985**
Transaction cost incurred	**(37,290)**
Early redemption option embedded in senior notes	**16,399**
Interest charged during the year	**168,888**
Interest paid during the year	**(172,349)**
Exchange realignment	**23,401**
At 31 December 2023	**1,660,600**
Less: Current portion	**(432,237)**
Non-current portion	**1,228,363**

31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2023 and 2022 are as follows:

Deferred tax assets

	Provision for impairment of assets RMB'000	Accrued liabilities and future deductible expenses RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Tax losses recognised RMB'000	Cash flow hedges RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023 (Restated)	24,434	404,737	85,421	68,039	–	24,888	50,454	657,973
Credited/(charged) to profit or loss for the year (note 9)	35,797	(20,098)	(41,972)	107,507	(11,642)	(2,776)	(10,544)	56,272
Deferred tax credit to equity during the year	–	–	–	–	27,393	–	–	27,393
Exchange realignment	–	771	–	2,211	525	378	479	4,364
Gross deferred tax assets at 31 December 2023	60,231	385,410	43,449	177,757	16,276	22,490	40,389	746,002
At 31 December 2021	2,942	431,498	68,303	80,090	4,721	–	15,292	602,846
Effect of adoption of amendments to IAS 12 (note 2.2(c))	–	(2,811)	–	–	–	20,874	–	18,063
At 1 January 2022 (Restated)	2,942	428,687	68,303	80,090	4,721	20,874	15,292	620,909
Credited/(charged) to profit or loss for the year (note 9)	21,492	(24,647)	17,118	(15,231)	156	3,715	34,509	37,112
Deferred tax charged to equity during the year	–	–	–	–	(5,475)	–	–	(5,475)
Exchange realignment	–	697	–	3,180	598	299	653	5,427
Gross deferred tax assets at 31 December 2022 (Restated)	24,434	404,737	85,421	68,039	–	24,888	50,454	657,973

31. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Withholding tax on distributable profits of subsidiaries in the PRC RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Cash flow hedges RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023 (Restated)	16,930	45,996	741,933	23,037	20,173	8,535	856,604
Charged/(credited) to profit or loss for the year (note 9)	85,371	(23,396)#	36,222	(23,695)	(1,969)	1,168	73,701
Exchange realignment	719	183	18,344	658	285	682	20,871
Gross deferred tax liabilities at 31 December 2023	103,020	22,783	796,499	–	18,489	10,385	951,176
At 31 December 2021	171	61,864	756,532	–	–	7,565	826,132
Effect on adoption of amendments to IAS 12 (note 2.2(c))	–	–	–	–	18,063	–	18,063
At 1 January 2022 (Restated)	171	61,864	756,532	–	18,063	7,565	844,195
Charged/(credited) to profit or loss for the year (note 9)	16,754	(16,017)#	(29,148)	22,255	1,888	963	(3,305)
Exchange realignment	5	149	14,549	782	222	7	15,714
Gross deferred tax liabilities at 31 December 2022 (Restated)	16,930	45,996	741,933	23,037	20,173	8,535	856,604

The amount represented a deferred tax provision of RMB22,128,000 (2022: RMB31,713,000) on the distributable profits of the Company's subsidiaries in mainland China after offsetting the realised deferred tax liabilities of RMB45,524,000 (2022: RMB47,730,000) arising from dividends declared by these subsidiaries to their foreign investors during the year.

31. DEFERRED TAX (CONTINUED)

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

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position at 31 December	580,624	637,800
Net deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	(785,798)	(836,431)
Total	(205,174)	(198,631)

Deferred tax assets of RMB27,255,000 (2022: RMB36,667,000) have not been recognised in respect of tax losses of the Group as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

	2023	2022
Authorised:		
10,000,000,000 (2022: 10,000,000,000) ordinary shares of HKD0.01 each	HKD100,000,000	HKD100,000,000
Issued and fully paid:		
645,561,354 (2022: 645,561,354) ordinary shares of HKD0.01 each	HKD6,455,614	HKD6,455,614
Equivalent to	RMB5,519,000	RMB5,519,000

32. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HKD'000	Equivalent to RMB'000
At 1 January 2022	645,211,045	6,452	5,516
Share options exercised (note)	350,309	4	3
At 31 December 2022 and 31 December 2023	**645,561,354**	**6,456**	**5,519**

Note:

During the year ended 31 December 2022, the subscription rights attaching to 350,309 share options were exercised at the subscription prices of HKD 15.58 per share, resulting in the issue of 350,309 ordinary shares for a total cash consideration, before expenses, of HKD5,458,000 (equivalent to approximately RMB4,875,000).

Share options

Details of the Company's share option schemes and the share options exercised under the schemes are included in note 33 to the financial statements.

31 December 2023

33. SHARE OPTION SCHEMES

There are two valid share option schemes adopted by the Company on 25 November 2010 (the "**2010 Share Option Scheme**") and 8 May 2020 (the "**2020 Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The 2010 Share Option Scheme expired on 24 November 2020, and no further options shall be offered under the 2010 Share Option Scheme but in all other respects the provisions of the 2010 Share Option Scheme shall remain in full force and effect and options granted thereunder prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue. The 2020 Share Option Scheme will remain in force for ten years from 8 May 2020.

In respect of the 2020 Share Option Scheme, as same with the subscription price of options under the 2010 Share Option Scheme, the exercise price of the share options is determined by the board of directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

(i) Movements in share options

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

31 December 2023

	2010 Share Option Scheme		2020 Share Option Scheme		
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	Total number of options '000
At 1 January 2023	29.76	6,719	31.78	4,924	11,643
Granted during the year	–	–	10.05	1,680	1,680
Forfeited during the year	29.18	(486)	13.08	(4,588)	(5,074)
Expired during the year	15.58	(25)	–	–	(25)
At 31 December 2023	29.86	6,208	31.78	2,016	8,224

33. SHARE OPTION SCHEMES (CONTINUED)

(i) Movements in share options (continued)

31 December 2022

	2010 Share Option Scheme		2020 Share Option Scheme		
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	Total number of options '000
At 1 January 2022	30.34	13,043	31.80	10,435	23,478
Forfeited during the year	32.20	(5,814)	31.82	(5,511)	(11,325)
Exercised during the year	15.58	(350)	–	–	(350)
Expired during the year	19.72	(160)	–	–	(160)
At 31 December 2022	29.76	6,719	31.78	4,924	11,643

No share options were exercised during the year (2022: a total of 350,309 share options were exercised).

Share option reserve of RMB5,620,000 related to the forfeited or expired shares that have been vested was transferred to retained profits during the year (2022: RMB25,370,000).

During the year, the Group reversed share option expenses related to forfeited shares that have not been vested of RMB17,359,000 (2022: RMB64,773,000).

(ii) Outstanding share options

The exercise prices and exercise periods of the share options outstanding under the 2010 Share Option Scheme and the 2020 Share Option Scheme as at 31 December 2023 and 2022 are as follows:

33. SHARE OPTION SCHEMES (CONTINUED)

(ii) Outstanding share options (continued)

2010 Share Option Scheme

31 December 2023 Number of options '000	31 December 2022 Number of options '000	Exercise price* HKD per share	Exercise period
322	360	15.580	1-4-18 to 1-4-24
388	450	15.580	1-4-19 to 1-4-25
54	54	21.050	1-4-18 to 1-4-24
36	36	21.050	1-4-19 to 1-4-25
24	26	20.920	1-4-18 to 1-4-24
15	19	20.920	1-4-19 to 1-4-25
13	13	23.300	1-4-17 to 1-4-23
16	18	23.300	1-4-18 to 1-4-24
23	33	23.300	1-4-19 to 1-4-25
122	144	25.750	1-4-18 to 1-4-24
126	148	25.750	1-4-19 to 1-4-25
150	150	25.750	1-4-20 to 1-4-26
19	19	22.150	1-4-18 to 1-4-24
24	25	22.150	1-4-19 to 1-4-25
3,762	4,036	29.250	1-4-21 to 1-4-27
27	27	47.100	1-4-19 to 1-4-25
–	13	47.100	1-4-21 to 1-4-27
117	117	60.020	1-4-21 to 1-4-27
147	147	59.050	1-4-21 to 1-4-27
–	39	47.270	1-4-21 to 1-4-27
114	114	49.150	1-4-21 to 1-4-27
300	300	49.150	1-4-22 to 1-4-28
59	81	45.790	1-4-21 to 1-4-27
350	350	26.10	1-4-22 to 1-4-28
6,208	6,719		

33. SHARE OPTION SCHEMES (CONTINUED)

(ii) Outstanding share options (continued)

2020 Share Option Scheme

31 December 2023 Number of options '000	31 December 2022 Number of options '000	Exercise price* HKD per share	Exercise period
1,810	1,884	31.88	1-4-22 to 1-4-28
–	2,450	31.88	1-4-24 to 1-4-30
206	214	31.02	1-4-22 to 1-4-28
–	376	31.02	1-4-24 to 1-4-30
2,016	4,924		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At 31 December 2023, the share options outstanding under the 2010 Share Option Scheme and the 2020 Share Option Scheme were divided into two to three tranches at their respective grant dates. Generally, the first tranche vests one year after the grant date while the remaining tranches vest in the subsequent two to three years. There is a six-year exercise period for each share option granted under the 2010 Share Option Scheme and the 2020 Share Option Scheme.

The exercise in full of the outstanding share options under the two share option schemes would, under the present capital structure of the Company, result in the issue of 8,224,000 additional ordinary shares of the Company and additional share capital of HKD82,000 (equivalent to approximately RMB75,000) and share premium of HKD249,390,000 (equivalent to approximately RMB226,002,000) (before issue expenses).

Subsequent to the end of the reporting period, no share options were forfeited and exercised, respectively. At the date of approval of these financial statements, the Company had 8,224,000 share options outstanding under the two share option schemes, which represented approximately 1.3% of the Company's shares in issue as at that date.

33. SHARE OPTION SCHEMES (CONTINUED)

(iii) Fair value of the share options

The directors of the Company used Hull-White model to determine the fair value of the share options as at the grant date, which is to be expensed over the relevant vesting period. 1,680,000 share options were granted in the year ended 31 December 2023 (2022: Nil), and the weighted average fair value of the share options granted to directors was HKD2.20 (equivalent to RMB2.01) per share.

Other than the exercise price disclosed above, significant judgement on parameters, such as dividend yield, expected volatility and risk-free interest rate, are required to be made by the directors in applying the Hull White model, which are summarised below:

	2023		2022	
	Options granted to directors	Options granted to other employees	Options granted to directors	Options granted to other employees
Dividend yield (%)	–	8.27	–	–
Expected volatility (%)	–	48.31	–	–
Risk-free interest rate (%)	–	3.66	–	–

34. SHARE AWARD SCHEMES

The board of directors of the Company approved a share award scheme (the "**2022 Share Award Scheme**") on 11 January 2022, from when the 2022 Share Award Scheme will remain in force for ten years unless otherwise cancelled or amended. The purposes of the 2022 Share Award Scheme are to recognise the contributions by certain employees of the Company or of any subsidiary and to give incentives thereto in order to retain and motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group, by providing them with the opportunity to acquire equity interests in the Company.

Subject to the terms of the 2022 Share Award Scheme and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the board of directors may at any time make an offer to any eligible person it may in its absolute discretion select to accept the grant of an award over such number of shares as it may determine.

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

During the year, no ordinary shares were purchased on the open market of the HKSE for the 2022 Share Award Scheme (2022: 6,536,500 ordinary shares of the Company were purchased for the 2022 Share Award Scheme at a total consideration of HKD75,757,000 (equivalent to approximately RMB61,776,000)).

34. SHARE AWARD SCHEMES (CONTINUED)

Summary of particulars of the shares granted under the 2022 Share Award Scheme (the "**Awarded Shares**") during the year is as follows:

					Number of Awarded Shares		
Date of grant	Number of Outstanding Awarded Shares as at 31 December 2022	Shares newly granted during the year	Fair value HKD	Vesting date	Vested during the year	Forfeited during the year	Outstanding Awarded Shares at 31 December 2023
2022/4/8	1,721,057	–	19,947,000	2023/4/1	(1,721,057)	–	–
2022/4/8	1,118,631	–	12,551,000	2024/4/1	–	(103,050)	1,015,581*
2022/4/8	1,491,519	–	16,123,000	2025/4/1	–	(137,400)	1,354,119*
2022/12/14	111,000	–	1,548,000	2024/4/1	–	(111,000)	–
2022/12/14	148,000	–	1,985,000	2025/4/1	–	(148,000)	–
2023/9/5	–	242,000	2,294,000	2024/4/1	–	(210,000)	32,000*
2023/9/5	–	678,000	5,810,000	2025/4/1	–	(630,000)	48,000*
	4,590,207	920,000	60,258,000		(1,721,057)	(1,339,450)	2,449,700

* Among these Awarded Shares granted, 1,603,692 of the Awarded Shares were granted to the executive directors and non-executive directors.

The Group recognised a share award expense of RMB13,571,000 during the year (2022: RMB20,231,000) in relation to the 2022 Share Award Scheme.

1,721,057 shares for the 2022 Share Award Scheme were awarded upon vesting during the year. The difference of the fair values and the costs related to the vested Awarded Shares, amounted to RMB17,594,000 and RMB16,474,000, respectively, was transferred to retained profits during the year.

The directors of the Company determine the fair value of the share awards as at the grant date, which is measured at the market price of the entity's shares, adjusted by the present value of the expected dividends per share during the vesting period. Significant judgement on parameters, such as share price at grant date, and risk-free interest rate, are required to be made by the directors to measure the fair value of the awarded shares.

31 December 2023

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 94 and 95 of the financial statements.

The Group's contributed surplus represents the excess of the previous nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation over the previous nominal value of the Company's shares issued and cash consideration paid in exchange therefor.

The Group's capital surplus represents 1% of the equity in Biostime Health contributed by Biostime Pharmaceuticals (China) Limited, the ultimate shareholder, during the year ended 31 December 2009 when Biostime Health became a wholly-owned subsidiary of the Group.

In accordance with the Company Law of the People's Republic of China, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB34,921,000 (2022: RMB45,315,000) and RMB34,921,000 (2022: RMB45,315,000), respectively, in respect of lease arrangements for buildings, vehicles and office equipment.

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

(b) Changes in liabilities arising from financing activities

2023

	Derivative financial instruments RMB'000	Interest-bearing bank loans RMB'000	Senior notes RMB'000	Lease liabilities RMB'000
At 1 January 2023	183,749	7,662,733	1,905,559	101,143
Changes from financing cash flows	(20,064)	(1,060,304)	(401,296)	(36,315)
New leases	–	–	–	34,921
Early termination of leases	–	–	–	(1,544)
Recognition of early redemption option embedded in senior notes	–	–	16,399	–
Total gains recognised in profit or loss	(30,847)	–	(52,351)	–
Total gains recognised in other comprehensive income	48,200	–	–	–
Derecognition	(29,762)	–	–	–
Interest expense	–	632,447	168,888	6,270
Exchange realignment	3,294	220,019	23,401	2,583
At 31 December 2023	154,570	7,454,895	1,660,600	107,058

2022

	Derivative financial instruments RMB'000	Interest-bearing bank loans RMB'000	Senior notes RMB'000	Interest payables# RMB'000	Lease liabilities RMB'000
At 1 January 2022	430,802	7,436,831	1,938,452	7,609	102,582
Changes from financing cash flows	(29,485)	(858,336)	(295,976)	(33,845)	(40,976)
New leases	–	–	–	–	45,315
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	–	–	(305)
Early termination of leases	–	–	–	–	(12,548)
Total (gains)/losses recognised in profit or loss	(20,797)	31,851	(25,204)	–	–
Total gains recognised in other comprehensive income	(234,130)	–	–	–	–
Interest expense	–	386,978	109,087	28,127	6,100
Exchange realignment	37,359	665,409	179,200	(1,891)	975
At 31 December 2022	183,749	7,662,733	1,905,559	–	101,143

Included in other payables and accruals

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

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within financing activities	**36,315**	40,976

37. PLEDGE OF ASSETS

Details of the Group's bank loans and senior notes, which are secured by the assets of the Group, are included in notes 29 and 30 to the financial statements, respectively.

38. COMMITMENTS

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

	2023 RMB'000	2022 RMB'000
Intangible assets	**7,802**	12,072
Property, plant and equipment	**10,612**	3,807
Total	**18,414**	15,879

(b) There were no lease contracts that have not yet commenced as at 31 December 2023 and 2022.

39. RELATED PARTY BALANCES AND TRANSACTIONS

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

(a) Related party transactions

During the year there was no transaction with an associate, while during the year 2022, the Group purchased finished goods from an associate of the amount of RMB2,636,000, which was conducted in accordance with mutually agreed terms.

(b) Material outstanding balances with related parties

Details of the Group's prepayments balances with an associate as at the end of the reporting period are disclosed in note 23 to the financial statements.

(c) Compensation of key management personnel of the Group

In addition to the amounts paid to the Company's directors as disclosed in note 8(a), compensation of other key management personnel of the Group is as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**56,710**	52,465
Pension scheme contributions	**1,147**	360
Reversal of equity-settled share option expense	**(6,254)**	(15,171)
Equity-settled share award expense	**7,492**	9,865
Termination benefits	**6,662**	3,909
Total compensation paid to key management personnel	**65,757**	51,428

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

2023

Financial assets

	Notes	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income – Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
		Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000			
Bonds receivable	17	–	–	–	78,592	78,592
Trade and bills receivables	22	–	–	–	1,060,254	1,060,254
Financial assets included in prepayments, other receivables and other assets		–	–	–	106,409	106,409
Derivative financial instruments	28	–	48,984	–	–	48,984
Restricted deposits	24	–	–	–	7,430	7,430
Cash and cash equivalents	24	–	–	–	1,364,283	1,364,283
Other non-current financial assets	20	66,368	120,510	15,480	–	202,358
Total		66,368	169,494	15,480	2,616,968	2,868,310

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	25	–	1,040,677	1,040,677
Financial liabilities included in other payables and accruals		–	1,276,742	1,276,742
Derivative financial instruments	28	154,570	–	154,570
Interest-bearing bank loans	29	–	7,454,895	7,454,895
Senior notes	30	–	1,660,600	1,660,600
Lease liabilities	13	–	107,058	107,058
Total		154,570	11,539,972	11,694,542

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2022

Financial assets

	Notes	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income – Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
		Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000			
Bonds receivable	17	–	–	–	74,229	74,229
Trade and bills receivables	22	–	–	–	769,051	769,051
Financial assets included in prepayments, other receivables and other assets		–	–	–	56,261	56,261
Derivative financial instruments	28	–	137,017	–	–	137,017
Restricted deposits	24	–	–	–	10,767	10,767
Cash and cash equivalents	24	–	–	–	2,303,660	2,303,660
Other non-current financial assets	20	46,439	106,649	41,929	–	195,017
Total		46,439	243,666	41,929	3,213,968	3,546,002

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	25	–	1,340,970	1,340,970
Financial liabilities included in other payables and accruals		–	1,093,573	1,093,573
Derivative financial instruments	28	183,749	–	183,749
Interest-bearing bank loans	29	–	7,662,733	7,662,733
Senior notes	30	–	1,905,559	1,905,559
Lease liabilities	13	–	101,143	101,143
Total		183,749	12,103,978	12,287,727

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	**15,124**	13,760	**15,124**	13,760
– The Swaps	**10,571**	76,790	**10,571**	76,790
– The CCSs	**23,289**	46,467	**23,289**	46,467
Other non-current financial assets	**202,358**	195,017	**202,358**	195,017
Total	**251,342**	332,034	**251,342**	332,034
Financial liabilities				
Derivative financial instruments				
– The Swaps	**(64,666)**	(1,531)	**(89,904)**	(1,531)
– The CCSs	**(89,904)**	(182,218)	**(64,666)**	(182,218)
Senior notes	**(1,660,600)**	(1,905,559)	**(1,653,606)**	(1,627,580)
Total	**(1,815,170)**	(2,089,308)	**(1,808,176)**	(1,811,329)

Management has assessed that the fair values of cash and cash equivalents, restricted deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and lease liabilities (current) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

(a) The fair values of bonds receivables, lease liabilities (non-current) and the interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for lease liabilities (non-current) and interest-bearing loans, and the suppliers' non-performance risk for bonds receivable as at 31 December 2023 were assessed to be insignificant.

(b) The financial assets of unlisted equity investments at fair value through profit or loss included in the other non-current financial assets are measured using the market approach using significant unobservable market inputs.

(c) The financial assets of other unlisted investments at fair value through profit or loss included in the other non-current financial assets are measured using valuation technique of the discounted cash flow model.

(d) The fair values of equity investments designed at fair value through other comprehensive income included in the other non-current financial assets are based on quoted market prices or the recent transaction price method using significant unobservable market inputs.

(e) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including the Swaps and the CCSs, are measured using discounted cash flow models. The valuation techniques used both observable and unobservable market inputs. The fair values of the Swaps and the CCSs were the same as their carrying amounts.

(f) The derivative financial instrument arising from the early redemption option embedded in the senior notes is measured using the valuation technique of discounted cash flow model using significant unobservable market inputs.

(g) The fair value of the senior notes is based on the quoted market price provided by a leading global financial market data provider.

The fair value of the senior notes is based on the quoted market price provided by a leading global financial market data provider.

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

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Other non-current financial assets – other unlisted investment	Discounted cash flow model	Discount rate	2023: 2.18% to 2.22% (2022: 3.61% to 3.69%)	1% (2022: 1%) increase in discount rate would result in decrease in fair value by RMB99,000 (2022: RMB194,000) 1% (2022: 1%) decrease in discount rate would result in increase in fair value by RMB106,000 (2022: RMB191,000)
Other non-current financial assets – investment in Arla	Recent transaction price method	Recent transaction price	Not applicable	Not applicable
Other non-current financial assets – the unlisted equity investment	Market approach	Enterprise value-to-sales ratio	2023: 2.99 to 3.05 (2022: 3.22 to 3.28)	1% (2022: 1%) increase in enterprise value-to-sales ratio would result in increase in fair value by RMB694,000 (2022: RMB251,000) 1% (2022: 1%) decrease in enterprise value-to-sales ratio would result in decrease in fair value by RMB687,000 (2022: RMB244,000)

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument – the CCSs (USD/RMB)	Discounted cash flow model	Discount rate – receive leg	2023: 3.50% to 5.63% (2022: 3.95% to 5.07%)	1% (2022: 1%) increase in discount rate would result in decrease in fair value by RMB1,498,000 (2022: RMB1,824,000) 1% (2022: 1%) decrease in discount rate would result in increase in fair value by RMB1,500,000 (2022: RMB1,826,000)
		Discount rate – pay leg	2023: 2.50% to 3.04% (2022: 1.66% to 2.24%)	1% (2022: 1%) increase in discount rate would result in increase in fair value by RMB895,000 (2022: RMB951,000) 1% (2022: 1%) decrease in discount rate would result in decrease in fair value by RMB895,000 (2022: RMB951,000)
Derivative financial instrument – the CCSs (USD/AUD)	Discounted cash flow model	Discount rate – receive leg	2023: 3.49% to 5.41% (2022: 3.70% to 4.87%)	1% (2022: 1%) increase in discount rate would result in increase in fair value by RMB688,000 (2022: RMB1,356,000) 1% (2022: 1%) decrease in discount rate would result in decrease in fair value by RMB689,000 (2022: RMB1,358,000)
		Discount rate – pay leg	2023: 3.71% to 4.33% (2022: 3.25% to 4.37%)	1% (2022: 1%) increase in discount rate would result in decrease in fair value by RMB532,000 (2022: RMB1,233,000) 1% (2022: 1%) decrease in discount rate would result in increase in fair value by RMB534,000 (2022: RMB1,235,000)

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument – the Swaps (USD/HKD)	Discounted cash flow model	Discount rate – receive leg	2023: 3.50% to 5.41% (2022: 3.95% to 5.07%)	1% (2022: 1%) increase in discount rate would result in decrease in fair value by RMB459,000 (2022: RMB247) 1% (2022: 1%) decrease in discount rate would result in increase in fair value by RMB459,000 (2022: RMB247)
		Discount rate – pay leg	2023: 3.32% to 5.12% (2022: 3.57% to 4.73%)	1% (2022: 1%) increase in discount rate would result in increase in fair value by RMB426,000 (2022: RMB413,000) 1% (2022: 1%) decrease in discount rate would result in decrease in fair value by RMB427,000 (2022: RMB413,000)
Derivative financial instrument – the Swaps (USD/AUD)	Discounted cash flow model	Discount rate – receive leg	2023: 5.35% to 5.45% (2022: 4.26% to 4.34%)	1% (2022: 1%) increase in discount rate would result in decrease in fair value by RMB159,000 (2022: RMB834,000) 1% (2022: 1%) decrease in discount rate would result in increase in fair value by RMB161,000 (2022: RMB843,000)
		Discount rate – pay leg	2023: 4.30% to 4.38% (2022: 3.19% to 3.25%)	1% (2022: 1%) increase in discount rate would result in increase in fair value by RMB15,818,000 (2022: RMB7,103,000) 1% (2022: 1%) decrease in discount rate would result in decrease in fair value by RMB16,148,000 (2022: RMB7,225,000)
Derivative financial instrument – early redemption option embedded in the senior notes	Discounted cash flow model	Discount rate	2023: 8.61% to 14.86% (2022: 4.48%)	1% (2022: 1%) increase in discount rate would result in increase in fair value by RMB3,806,000 (2022: RMB3,577,000) 1% (2022: 1%) decrease in discount rate would result in decrease in fair value by RMB3,822,000 (2022: RMB3,589,000)

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

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2023				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	15,124	15,124
– The Swaps	–	–	10,571	10,571
– The CCSs	–	–	23,289	23,289
Other non-current financial assets	14,174	–	188,184	202,358
Total	14,174	–	237,168	251,342
As at 31 December 2022				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	13,760	13,760
– The Swaps	–	–	76,790	76,790
– The CCSs	–	–	46,467	46,467
Other non-current financial assets	40,691	–	154,326	195,017
Total	40,691	–	291,343	332,034

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

	2023 RMB'000	2022 RMB'000
At 1 January	291,343	272,404
Addition	16,399	3,438
Derecognition	(48,533)	(85,913)
Net settlement	(59,065)	(59,341)
Total gains/(losses) charged to profit or loss	22,257	(19,997)
Total gains recognised in equity	9,124	152,730
Exchange realignment	5,643	28,022
At 31 December	237,168	291,343

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

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2023				
Derivative financial instruments				
– The CCSs	–	–	89,904	89,904
– The Swaps	–	–	64,666	64,666
Total	–	–	154,570	154,570
As at 31 December 2022				
Derivative financial instruments				
– The CCSs	–	–	182,218	182,218
– The Swaps	–	–	1,531	1,531
Total	–	–	183,749	183,749

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

	2023 RMB'000	2022 RMB'000
At 1 January	183,749	430,802
Derecognition	(29,762)	–
Net settlement	(20,064)	(29,485)
Total gains charged to profit or loss	(30,847)	(20,797)
Total gains/(losses) recognised in equity	48,200	(234,130)
Exchange realignment	3,294	37,359
At 31 December	154,570	183,749

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group also enters into derivative transactions, including the foreign currency contracts, the Swaps and the CCSs. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

In respect of the floating interest rate instruments, the Group is subject to the cash flow interest rate risk, while for the fixed interest rate instruments, the Group is subject to fair value interest rate risk.

To manage the interest rate risk arising from the floating interest rate instruments, the Group has entered into the Swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At as 31 December 2023, after taking into account the effect of the Swaps, approximately 55% (2022: 53%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax by assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000
Year ended 31 December 2023	**50**	**(15,670)**
Year ended 31 December 2023	**(50)**	**15,670**
Year ended 31 December 2022	50	(18,274)
Year ended 31 December 2022	(50)	18,274

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases or financing by operating units in currencies other than the units' functional currencies. Approximately 2% (2022: 3%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 78% (2022: 68%) of costs were denominated in currencies other than the units' functional currencies. Certain operating units of the Group use forward currency contracts to eliminate the foreign currency exposures. The Group also has certain bank balances denominated in AUD, HKD, USD and EUR. In addition, the Group has investments denominated in AUD, USD and EUR, and issued senior notes in USD. Also, the Group has certain bank loans which are denominated in USD and HKD.

During the year, the Group has hedged 100% (2022: 100%) of its foreign currency exposure from its interest-bearing bank borrowings. The Group has used the Swaps to reduce the exposure to foreign currency risk arising from the borrowings.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of RMB and AUD against each of the following currencies, with all other variables held constant, of the Group's profit before tax (arising from USD and EUR denominated financial instruments).

	Increase/(decrease) in USD/EUR rates %	Increase/ (decrease) in profit before tax RMB'000
2023		
If the RMB weakens against the USD	**5**	**10,952**
If the RMB strengthens against the USD	**(5)**	**(10,952)**
If the RMB weakens against the EUR	**5**	**5,353**
If the RMB strengthens against the EUR	**(5)**	**(5,353)**
If the AUD weakens against the USD	**5**	**2,244**
If the AUD strengthens against the USD	**(5)**	**(2,244)**
If the AUD weakens against the EUR	**5**	**–**
If the AUD strengthens against the EUR	**(5)**	**–**

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/(decrease) in USD/EUR rates %	Increase/ (decrease) in profit before tax RMB'000
2022		
If the RMB weakens against the USD	5	2,152
If the RMB strengthens against the USD	(5)	(2,152)
If the RMB weakens against the EUR	5	3,503
If the RMB strengthens against the EUR	(5)	(3,503)
If the AUD weakens against the USD	5	5,433
If the AUD strengthens against the USD	(5)	(5,433)
If the AUD weakens against the EUR	5	1,213
If the AUD strengthens against the EUR	(5)	(1,213)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Bonds receivable#	78,592	–	78,592
Trade receivables*	–	1,066,700	1,066,700
Bills receivable#	19,284	–	19,284
Financial assets included in prepayments, other receivables and other assets#	106,409	–	106,409
Restricted deposits	7,430	–	7,430
Cash and cash equivalents	1,364,283	–	1,364,283
Total	1,575,998	1,066,700	2,642,698

As at 31 December 2022

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Bonds receivable#	74,229	–	74,229
Trade receivables*	–	747,762	747,762
Bills receivable#	47,538	–	47,538
Financial assets included in prepayments, other receivables and other assets#	56,261	–	56,261
Restricted deposits	10,767	–	10,767
Cash and cash equivalents	2,303,660	–	2,303,660
Total	2,492,455	747,762	3,240,217

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

\# The credit quality of bonds receivable, bills receivable and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

2023

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	43,861	996,816	–	–	–	1,040,677
Financial liabilities included in other payables and accruals	1,276,742	–	–	–	–	1,276,742
Derivative financial instruments	–	(17,577)	51,145	(22,939)	–	10,629
Interest-bearing bank loans	–	164,472	4,226,799	3,704,869	–	8,096,140
Senior notes	–	–	721,995	1,674,418	–	2,396,413
Lease liabilities	–	10,628	31,883	56,356	11,446	110,313
Total	1,320,603	1,154,339	5,031,822	5,412,704	11,446	12,930,914

2022

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	1,322,549	18,421	–	–	1,340,970
Financial liabilities included in other payables and accruals	1,093,573	–	–	–	–	1,093,573
Derivative financial instruments	–	–	24,769	132,727	–	157,496
Interest-bearing bank loans	–	101,390	1,280,914	7,274,978	–	8,657,282
Senior notes	–	–	105,836	1,987,364	–	2,093,200
Lease liabilities	–	6,086	18,258	87,795	797	112,936
Total	1,093,573	1,430,025	1,448,198	9,482,864	797	13,455,457

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using the liabilities to assets ratio, which is total liabilities divided by total assets. The liabilities to assets ratios as at the end of the reporting periods are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Total liabilities	**13,746,746**	14,821,172
Total assets	**20,041,970**	20,963,025
Liabilities to assets ratio	**69%**	71%

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	13,941,382	13,763,758
Due from subsidiaries	1,590,880	1,648,756
Deferred tax assets	384	379
Derivative financial instruments	37,644	51,290
Deposits	–	2,101
Intangible assets	2,843	–
Total non-current assets	15,573,133	15,466,284
CURRENT ASSETS		
Prepayments, deposits and other receivables	8,804	5,269
Derivative financial instruments	927	8,937
Due from subsidiaries	695,678	8,490,812
Loans to subsidiaries	1,076,280	904,587
Cash and cash equivalents	69,133	518,989
Total current assets	1,850,822	9,928,594
CURRENT LIABILITIES		
Trade payables	4,935	25,991
Due to subsidiaries	1,664,197	10,226,838
Other payables and accruals	77,337	41,811
Tax payable	2,178	2,147
Interest-bearing bank loans	2,227,820	584,082
Senior notes	432,237	19,411
Derivative financial instruments	39,258	–
Total current liabilities	4,447,962	10,900,280
NET CURRENT LIABILITIES	(2,597,140)	(971,686)
TOTAL ASSETS LESS CURRENT LIABILITIES	12,975,993	14,494,598
NON-CURRENT LIABILITIES		
Derivative financial instruments	50,646	183,749
Senior notes	1,228,363	1,886,148
Interest-bearing bank loans	1,936,892	4,099,892
Total non-current liabilities	3,215,901	6,169,789
Net assets	9,760,092	8,324,809
EQUITY		
Issued capital	5,519	5,519
Reserves (note)	9,652,979	8,098,573
Proposed dividend	101,594	220,717
Total equity	9,760,092	8,324,809

Luo Fei
Director

Wang Yidong
Director

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

Note:

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

	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	688,995	(1)	3,260,270	192,751	–	(684,418)	4,345,267	7,802,864
Total comprehensive income for the year	–	–	–	–	–	851,589	(94)	851,495
Shares issued for the equity-settled share option arrangements	5,996	–	–	(1,124)	–	–	–	4,872
Equity-settled option arrangements	–	–	–	(64,773)	–	–	–	(64,773)
Equity-settled share award arrangements	–	–	–	–	20,231	–	–	20,231
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	(25,370)	–	–	25,370	–
Shares purchased for the 2022 Share Award Scheme	–	(61,776)	–	–	–	–	–	(61,776)
Final 2021 and interim 2022 dividend declared	–	–	–	–	–	–	(233,623)	(233,623)
Proposed final 2022 dividend	–	–	–	–	–	–	(220,717)	(220,717)
At 31 December 2022 and 1 January 2023	**694,991**	**(61,777)**	**3,260,270**	**101,484**	**20,231**	**167,171**	**3,916,203**	**8,098,573**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**375,620**	**1,758,773**	**2,134,393**
Equity-settled option arrangements	**–**	**–**	**–**	**(17,359)**	**–**	**–**	**–**	**(17,359)**
Equity-settled share award arrangements	**–**	**16,474**	**–**	**–**	**(4,023)**	**–**	**1,120**	**13,571**
Transfer of share option reserve upon the forfeiture or expiry of share options	**–**	**–**	**–**	**(5,620)**	**–**	**–**	**5,620**	**–**
Final 2022 and interim 2023 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**(474,605)**	**(474,605)**
Proposed final 2023 dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(101,594)**	**(101,594)**
At 31 December 2023	**694,991**	**(45,303)**	**3,260,270**	**78,505**	**16,208**	**542,791**	**5,105,517**	**9,652,979**

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

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

44. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

INDEPENDENT **AUDITOR'S REPORT**



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

OPINION

We have audited the consolidated financial statements of Health and Happiness (H&H) International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 93 to 207, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets with indefinite lives	
As at 31 December 2022, the Group recorded goodwill and intangible assets with indefinite lives of RMB7,684,093,000 and RMB4,332,980,000 respectively, which represented 37% and 21% of the total assets of the Group, respectively. The Group is required to perform annual impairment testing for goodwill and intangible assets with indefinite lives. Management performed impairment tests on these assets by using the discounted cash flow model as at 31 December 2022. During the year, impairment losses of RMB134,475,000 were recognised in relation to two cash-generating units under adult nutrition and care products segment and other pediatric products segment. This area was important to our audit due to significant judgement and estimates involved in the assessment of the recoverable amounts of these assets. This assessment required management to make assumptions to be used in the discounted cash flow model. The most critical assumptions were growth rates and discount rates. The disclosures about impairment testing of goodwill and intangible assets with indefinite lives are included in note 16 to these financial statements.	The audit procedures we performed, among others, included the following: • involving our valuation specialists to assist us in evaluating the methodologies, discount rates and long-term growth rates used by management, as appropriate, to estimate the recoverable amounts of goodwill and intangible assets; • evaluating the assumptions used by management and assessed the forecasts used with respect to future revenue and operating results by comparing the forecasts with the historic performance of the respective cash-generating units to which the goodwill or the intangible assets with indefinite lives were allocated to and their business development plans; • assessing the growth rates in sales by comparing them to the industry trend; • considering the sensitivity in the available headroom for the cash-generating units, evaluating whether reasonably possible changes in assumptions could cause the carrying amounts to exceed the recoverable amounts; and • considering the adequacy of the relevant disclosures in the Group's financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

Hedge accounting

The Group has entered into a series of cross currency swaps and cross currency interest rate swaps to hedge the Group's exposure to interest rate and foreign currency risks relating to its bank borrowings denominated in United States dollars or to hedge the Company's exposure to foreign currency risks relating to the investments in foreign operations.

For accounting purposes, the Group has applied cash flow hedges or hedges of net investments. In order to apply these hedges, the Group had to comply with a number of requirements in IFRSs, including:

- Designating and documenting both the hedging relationship and the Group's management objective and strategy for undertaking the hedge at the inception of the hedge;
- Performing prospective hedge effectiveness testing; and
- Recording any resulting effectiveness in other comprehensive income and ineffectiveness in profit or loss.

The accounting standards governing the criteria and application of hedge accounting are complex, and require significant judgement in their applications.

The disclosures about hedge accounting are included in note 28 to these financial statements.

How our audit addressed the key audit matter

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

- involving our valuation specialists to assist us in assessing the fair value of the aforesaid swaps;
- evaluating the Group's hedging policies in respect of its interest rate and foreign currency risk exposures;
- evaluating the hedge documentation prepared by management and assessing the hedge effectiveness tests prepared by management with the help of our valuation specialists on the inputs and methodology used by management in the tests; and
- considering the adequacy of the disclosures relating to the hedging relationship in these financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of inventories	
As at 31 December 2022, the carrying amount of inventories was RMB2,587,701,000, after netting of the provision for impairment of RMB234,878,000. The provision for impairment mainly related to certain obsolete and slow-moving inventories. Significant management judgement was required in assessing whether there would be obsolete and slow-moving inventories at the year end. The specific factors considered by management in the estimation of the provision included types of inventories, conditions of the inventories, expiration dates of inventories, and the forecasted inventory usage and sales. The disclosures about the provision for impairment of inventories are included in notes 2.4 and 3 to these financial statements.	The audit procedures we performed, among others, included the following: • obtaining an understanding of management's process about how to identify the obsolete and slow-moving inventories and calculate the provision; • evaluating management's assumptions used to calculate the provision amount for obsolete and slow-moving inventories by checking the ageing of inventories and the subsequent usage and sales of inventories on a sampling basis; • testing samples of inventory items held by the Group to assess their cost and net realisable values; and • attending and observing management's inventory counts at major locations to assess the conditions of inventories.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

21 March 2023

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

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**12,775,914**	11,547,825
Cost of sales		**(5,072,426)**	(4,299,843)
Gross profit		**7,703,488**	7,247,982
Other income and gains	5	**219,818**	108,376
Selling and distribution expenses		**(5,235,233)**	(4,971,868)
Administrative expenses		**(727,683)**	(695,721)
Other expenses		**(382,167)**	(554,345)
Finance costs	6	**(525,659)**	(285,143)
Share of (losses)/profit of associates	19	**(21,633)**	932
PROFIT BEFORE TAX	7	**1,030,931**	850,213
Income tax expense	9	**(419,148)**	(341,729)
PROFIT FOR THE YEAR		**611,783**	508,484
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		**324,640**	285,524
Reclassification adjustments for losses included in profit or loss		**(258,594)**	(178,018)
Income tax effect		**(5,475)**	(25,831)
		60,571	81,675
Hedges of net investments:			
Effective portion of changes in fair value of hedging instruments arising during the year		**62,220**	(79,020)
Exchange differences on translation of foreign operations		**(29,788)**	(287,897)
Exchange differences on net investments in foreign operations		**(74,746)**	(17,599)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**18,257**	(302,841)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		**(38,307)**	(169,908)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(20,050)**	(472,749)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**591,733**	35,735
Profit attributable to owners of the parent		**611,783**	508,484
Total comprehensive income attributable to owners of the parent		**591,733**	35,735
		RMB	RMB
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**0.96**	0.79
Diluted		**0.95**	0.79

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**388,382**	444,378
Right-of-use assets	13(a)	**142,720**	144,917
Goodwill	14	**7,684,093**	7,471,994
Intangible assets	15	**5,639,307**	5,572,436
Bonds receivable	17	**74,229**	72,197
Deposits	18	**61,842**	42,305
Investments in associates	19	**152,135**	67,712
Deferred tax assets	31	**637,800**	602,846
Derivative financial instruments	28	**128,081**	13,715
Other non-current financial assets	20	**195,017**	335,783
Total non-current assets		**15,103,606**	14,768,283
CURRENT ASSETS			
Inventories	21	**2,587,701**	2,087,720
Trade and bills receivables	22	**769,051**	739,257
Prepayments, other receivables and other assets	23	**179,304**	280,762
Derivative financial instruments	28	**8,936**	5,655
Restricted deposits	24	**10,767**	–
Cash and cash equivalents	24	**2,303,660**	2,400,070
Total current assets		**5,859,419**	5,513,464
CURRENT LIABILITIES			
Trade and bills payables	25	**1,340,970**	881,458
Other payables and accruals	26	**2,199,256**	2,175,358
Contract liabilities	27	**266,613**	264,215
Derivative financial instrument	28	**–**	104
Interest-bearing bank loans	29	**967,242**	3,125,737
Lease liabilities	13(b)	**21,960**	23,533
Senior notes	30	**19,411**	19,752
Tax payable		**319,431**	331,776
Total current liabilities		**5,134,883**	6,821,933
NET CURRENT ASSETS/(LIABILITIES)		**724,536**	(1,308,469)

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NET CURRENT ASSETS/(LIABILITIES)		**724,536**	(1,308,469)
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,828,142**	13,459,814
NON-CURRENT LIABILITIES			
Senior notes	30	**1,886,148**	1,918,700
Interest-bearing bank loans	29	**6,695,491**	4,311,094
Lease liabilities	13(b)	**79,183**	79,049
Other payables and accruals	26	**5,287**	8,851
Derivative financial instruments	28	**183,749**	430,802
Deferred tax liabilities	31	**836,431**	826,132
Total non-current liabilities		**9,686,289**	7,574,628
Net assets		**6,141,853**	5,885,186
EQUITY			
Issued capital	32	**5,519**	5,516
Other reserves	35	**5,915,617**	5,791,865
Proposed dividend	10	**220,717**	87,805
Total equity		**6,141,853**	5,885,186

Luo Fei
Director

Wang Yidong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Notes	Issued capital RMB'000	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000	Cash flow hedge reserve RMB'000	Fair value reserve of financial assets through other comprehensive income RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total equity RMB'000
At 1 January 2022		5,516	688,995	(1)	26,992	95	382,665	192,751	-	(475,903)	(1,217,025)	(5,900)	(3,694)	6,202,890	87,805	5,885,186
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	611,783	-	611,783
Other comprehensive income/(loss) for the year:																
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	-	-	(38,307)	-	-	(38,307)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	-	60,571	-	-	-	60,571
Hedges of net investments		-	-	-	-	-	-	-	-	62,220	-	-	-	-	-	62,220
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(29,788)	-	-	-	-	-	(29,788)
Exchange differences on net investments in foreign operations		-	-	-	-	-	-	-	-	(74,746)	-	-	-	-	-	(74,746)
Total comprehensive income/(loss) for the year		-	-	-	-	-	-	-	-	(42,314)	-	60,571	(38,307)	611,783	-	591,733
Shares issued for the equity-settled share option arrangements	33	3	5,996	-	-	-	-	(1,124)	-	-	-	-	-	-	-	4,875
Equity-settled share option arrangements	33	-	-	-	-	-	-	(64,773)	-	-	-	-	-	-	-	(64,773)
Equity-settled share award arrangements	34	-	-	-	-	-	-	-	20,231	-	-	-	-	-	-	20,231
Transfer of share option reserve upon the forfeiture or expiry of share options	33	-	-	-	-	-	-	(25,370)	-	-	-	-	-	25,370	-	-
Share purchased for the 2022 Share Award Schemes (as defined in note 34)	34	-	-	(61,776)	-	-	-	-	-	-	-	-	-	-	-	(61,776)
Final 2021 and 2022 interim dividend declared		-	-	-	-	-	-	-	-	-	-	-	-	(145,818)	(87,805)	(233,623)
Proposed final 2022 dividend	10	-	-	-	-	-	-	-	-	-	-	-	-	(220,717)	220,717	-
At 31 December 2022		5,519	694,991*	(61,777)*	26,992*	95*	382,665*	101,484*	20,231*	(518,217)*	(1,217,025)*	54,671*	(42,001)*	6,473,508*	220,717	6,141,853

* These reserve accounts comprise the consolidated other reserves of RMB5,915,617,000 (2021: RMB5,791,865,000) in the consolidated statement of financial position as at 31 December 2022.

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2022

	Notes	Issued capital RMB'000	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000	Cash flow hedge reserve RMB'000	Fair value reserve of financial assets through other comprehensive income RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total equity RMB'000
At 1 January 2021		5,510	673,589	(1)	26,992	95	382,651	168,275	(91,387)	(1,217,025)	(87,575)	166,214	5,966,004	209,345	6,202,687
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	508,484	-	508,484
Other comprehensive income/(loss) for the year:															
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	-	(169,908)	-	-	(169,908)
Cash flow hedges, net of tax		-	-	-	-	-	-	-			81,675	-	-	-	81,675
Hedges of net investments		-	-	-	-	-	-	-	(79,020)	-	-	-	-	-	(79,020)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(287,897)	-	-	-	-	-	(287,897)
Exchange differences on net investments in foreign operations		-	-	-	-	-	-	-	(17,599)	-	-	-	-	-	(17,599)
Total comprehensive (loss)/income for the year		-	-	-	-	-	-	-	(384,516)	-	81,675	(169,908)	508,484	-	35,735
Transfer to statutory reserve funds		-	-	-	-	-	14	-	-	-	-	-	(14)	-	-
Shares issued for the equity-settled share option arrangements		6	15,406	-	-	-	-	(3,580)	-	-	-	-	-	-	11,832
Equity-settled share option arrangements	33	-	-	-	-	-	-	42,450	-	-	-	-	-	-	42,450
Transfer of share option reserve upon the forfeiture or expiry of share options	33	-	-	-	-	-	-	(14,394)	-	-	-	-	14,394	-	-
Final 2020 and 2021 interim dividend declared		-	-	-	-	-	-	-	-	-	-	-	(198,173)	(209,345)	(407,518)
Proposed final 2021 dividend	10	-	-	-	-	-	-	-	-	-	-	-	(87,805)	87,805	-
At 31 December 2021		5,516	688,995*	(1)*	26,992*	95*	382,665*	192,751*	(475,903)*	(1,217,025)*	(5,900)*	(3,694)*	6,202,890*	87,805	5,885,186

CONSOLIDATED **STATEMENT OF CASH FLOWS**

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,030,931**	850,213
Adjustments for:			
Bank interest income	5	**(16,879)**	(4,793)
Interest income from loans and bonds receivables	5	**(3,140)**	(7,089)
Finance costs	6	**525,659**	285,143
Gain on partial repurchase of the Senior Notes (as defined in note 30)	5	**(25,204)**	–
Share of losses/(profit) of associates	19	**21,633**	(932)
Depreciation of property, plant and equipment	7	**72,431**	82,229
Depreciation of right-of-use assets	7	**38,576**	47,143
Amortisation of intangible assets	7	**200,276**	176,103
Loss on disposal of items of property, plant and equipment and intangible assets	7	**8,071**	918
Gain on disposal of a leasehold land	7	**(3,399)**	–
Gains on revision of lease term or early termination of leases	7	**(3,175)**	(18,598)
Impairment of property, plant and equipment	7	**3,041**	–
Impairment of goodwill	7	**109,062**	76,000
Impairment of intangible assets	7	**25,413**	–
Impairment of trade receivables	7	**15,666**	18,926
Impairment of other receivables	7	**13,213**	–
Write-down of inventories to net realisable value	7	**249,229**	134,031
(Reversal of)/equity-settled share option expense	7	**(64,773)**	42,450
Equity-settled share award expense	7	**20,231**	–
Fair value (gains)/losses on derivative financial instruments, net	7	**(23,596)**	134,342
Fair value losses on other non-current financial assets	7	**26,443**	4,650
Foreign exchange (gains)/losses, net	7	**(76,669)**	146,705
		2,143,040	1,967,441
Increase in inventories		**(706,744)**	(164,125)
(Increase)/decrease in trade and bills receivables		**(33,371)**	41,743
Decrease in prepayments, other receivables and other assets		**88,394**	41,066
Decrease in rental deposits		**3,148**	2,748
Increase in restricted deposits	24	**(10,767)**	–
Increase in trade and bills payables		**430,108**	232,039
Increase in other payables and accruals		**29,679**	989
(Decrease)/increase in contract liabilities		**(1,567)**	101,789
Cash generated from operations		**1,941,920**	2,223,690
Corporate income tax paid		**(472,607)**	(333,610)
Net cash flows from operating activities		**1,469,313**	1,890,080

CONSOLIDATED **STATEMENT OF CASH FLOWS**

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Net cash flows from operating activities		**1,469,313**	1,890,080
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(44,890)**	(53,265)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**2,672**	9,221
Proceed from disposal of a leasehold land		**9,398**	–
Additions to intangible assets		**(51,361)**	(53,329)
Addition to other non-current financial assets		**(3,438)**	(131,934)
Addition to right-of-use assets		**(6,242)**	–
Acquisition of an associate	19	**(20,143)**	–
Acquisition of a subsidiary	36	**–**	(3,925,980)
Repayment of bonds receivable		**–**	133,649
Increase in time deposits with original maturity of three months or more when acquired		**(6,000)**	–
Interest received		**15,128**	11,052
Net cash flows used in investing activities		**(104,876)**	(4,010,586)
CASH FLOWS FROM FINANCING ACTIVITIES			
Exercise of share options	32	**4,875**	11,832
New bank loans		**–**	3,513,790
Repayment of bank loans		**(383,651)**	–
Payment of transaction costs for refinancing loans		**(146,667)**	–
Payment for partial repurchase of the Senior Notes	30	**(183,209)**	–
Payment of lease liabilities	13(b)	**(40,976)**	(56,413)
Decrease in restricted deposits		**–**	4,416
Interest paid		**(474,630)**	(257,816)
Payment for certain CCSs (as defined in note 28)		**(17,761)**	(39,900)
Proceeds from the termination of certain CCSs		**47,617**	–
Dividends paid		**(233,623)**	(407,518)
Purchase of shares for the 2022 Share Award Scheme	34	**(61,776)**	–
Net cash flows (used in)/from financing activities		**(1,489,801)**	2,768,391
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(125,364)**	647,885
Cash and cash equivalents at beginning of year		**2,400,070**	1,830,873
Effect of foreign exchange rate changes, net		**22,954**	(78,688)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,297,660**	2,400,070
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**2,297,660**	2,400,070

31 December 2022

1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (the "**Group**") are principally engaged in the manufacture and sale of premium 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.

Information about subsidiaries

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

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

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Mama100 E-commerce Co., Limited ("**Mama100 E-commence**")**	PRC/Mainland China	RMB2,000,000	–	100%	Online sales, provision of software and information technology services
New H2 Limited	PRC/Hong Kong Special Administrative Region ("**Hong Kong**")	HKD1	–	100%	International investment
Health and Happiness (H&H) Hong Kong Limited ("**H&H HK**")***	PRC/Hong Kong	HKD3,240,571,943 USD460,000,000	–	100%	Investment holding, international investment, and trading
Health and Happiness France	France	EUR15,872,414	–	100%	Trading and sale of baby products and organic baby food
Farmland Dairy Pty Ltd. ("**Farmland**")	Australia	AUD13,684,818	–	100%	Manufacture and distribution of infant formulas
Health and Happiness (H&H) Singapore PTE. Limited	Singapore	SGD100	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) (Thailand) Co., Ltd	Thailand	THB100,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Trading India Private Limited	India	INR200,100,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
PT HEALTH AND HAPPINESS INDONESIA	Indonesia	IDR10,001,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Italy S.R.L	Italy	EUR10,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) UK Limited	United Kingdom	GBP4,646,559	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Inc.	America	USD18,024,784	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Taiwan Limited	PRC/Taiwan	TWD500,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Health and Happiness (H&H) Hainan Nutrition Products Limited*	PRC/Mainland China	RMB1,500,000	–	100%	Trading and sale of pet food

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Health and Happiness (H&H) Malaysia Sdn.Bhd.	Malaysia	MYR1,000,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Solid Gold Pet, LLC ("**Solid Gold**")	America	USD100,000	–	100%	Trading and sale of pet food
Zesty Paws, LLC ("**Zesty Paws**")^	America	USD1,935,000	–	100%	Trading and sale of nutritional supplements for pets
Health and Happiness (H&H) Research Limited	Ireland	EUR1	–	100%	Research and development of nutritional products
Biostime Pharma	France	EUR13,206,000	100%	–	Research and development of nutritional products
H&H Group DMCC	United Arab Emirates	AED50,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse Wellness Pty Ltd. ***^	Australia	AUD100	–	100%	Research, development, procurement and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse Wellness Pty Ltd. #	New Zealand	NZD10,100	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Swisse China Limited***^	PRC/Hong Kong	HKD1	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse Wellness (Guangzhou) Limited*	PRC/Mainland China	RMB1,500,000	–	100%	Trading and sale of vitamins, health supplements, skin care and sports nutrition products for adults
S W Translink Packaging Pty Ltd.	Australia	AUD1	–	100%	Packaging service

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

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

*** These subsidiaries have guaranteed both the Senior Notes and interest-bearing loans of the Group.

These subsidiaries have guaranteed the Group's interest-bearing loans.

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

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

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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2.1 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.

Basis of consolidation

The consolidated financial statements include these financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 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 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. The amendment did not have significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* 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. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 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 and decommissioning obligations. 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 amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

Investments in associates

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGUs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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

Related parties

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

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

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

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

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

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

Construction in progress represents buildings, leasehold improvements and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

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

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

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

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

Research and development costs

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

(b) Lease liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

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

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

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

Simplified approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

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

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

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

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

Hedges of net investments

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

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

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

(i) Rights of return

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

(ii) Sales rebates

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Other income

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

Contract liabilities

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

Right-of-return assets

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

Refund liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates three share option schemes and two share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

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

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

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 10 to these financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

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

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

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

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

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

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

If the inter-company loans are considered to be repaid in the foreseeable future and are not designated as the Company's net investments in foreign operations, the foreign exchange difference included in other expenses for the year would have been increased by RMB74,746,000 while the exchange differences on net investments in foreign operations recognised in other comprehensive loss would be decreased by the same amount.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Tax provisions

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

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Estimation uncertainties

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

Variable consideration for returns and sales rebates

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties (continued)

Variable consideration for returns and sales rebates (continued)

The Group updates its assessment of expected returns and sales rebates monthly and the refund liabilities are adjusted accordingly. Estimates of expected returns and sales rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of the customers' actual returns and rebate entitlements in the future. As at 31 December 2022, the amount recognised as refund liabilities included in other payables and accruals was RMB761,715,000 (2021: RMB777,509,000) for the expected returns and sales rebates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to these financial statements. As at 31 December 2022, an impairment of goodwill of RMB109,062,000 (2021: RMB76,000,000) was charged to profit or loss.

Impairment of intangible assets with indefinite useful lives

The Group determines whether intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the intangible assets with indefinite useful lives. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the trademarks, brand names and distribution rights and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to these financial statements. As at 31 December 2022, an impairment of trademark and brand names of RMB25,413,000 (2021: Nil) was charged to profit or loss.

Provision for expected credit losses on trade receivables

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties (continued)

Leases – Estimating the incremental borrowing rate

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

Provision for obsolete and slow-moving inventories

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

As at 31 December 2022, the carrying amount of inventories was approximately RMB2,587,701,000 (2021: RMB2,087,720,000) after netting off the allowance for inventories of approximately RMB234,878,000 (2021: RMB166,687,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2022 was RMB68,039,000 (2021: RMB80,090,000). As at 31 December 2022, deferred tax assets of RMB36,667,000 (2021: RMB67,855,000) have not been recognised in respect of tax losses of the Group. Further details are contained in note 31 to these financial statements.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainties (continued)

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

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has five reportable operating segments as follows:

(a) the infant formulas segment comprises the production 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 associates, finance costs as well as head office and corporate expenses are excluded from this measurement.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the year ended 31 December 2022:

	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	5,179,961	1,087,559	4,559,212	419,652	1,529,530	–	12,775,914
Segment results	3,148,382	836,051	2,852,567	188,033	678,455	–	7,703,488
Reconciliations:							
Interest income							20,019
Other income and unallocated gains							199,799
Share of loss of associates							(21,633)
Corporate and other unallocated expenses							(6,345,083)
Finance costs							(525,659)
Profit before tax							1,030,931
Other segment information:							
Depreciation and amortisation	23,904	9,802	89,681	9,550	71,508	106,838	311,283
Impairment of trade receivables	–	–	5,196	10,470	–	–	15,666
Write-down of inventories to net realisable value	149,770	2,205	57,605	17,192	22,457	–	249,229
Impairment of goodwill and intangible assets	–	–	128,044	6,431	–	–	134,475
Impairment of property, plant and equipment	–	–	–	–	3,041	–	3,041
Capital expenditure*	16,763	2,867	20,435	5,140	9,664	4,047	58,916

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 RMB'000
Mainland China	**9,565,867**	9,084,641
Australia and New Zealand	**1,387,351**	1,307,384
North America	**1,220,807**	499,348
Other locations*	**601,889**	656,452
	12,775,914	11,547,825

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

(b) Non-current assets

	2022 RMB'000	2021 RMB'000
Mainland China	**468,274**	502,838
Australia and New Zealand	**2,368,711**	2,391,368
North America	**2,503,439**	2,349,792
Other locations*	**1,043,962**	1,027,750
	6,384,386	6,271,748

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 2022 and 2021, 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:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers		
Sale of goods	**12,775,914**	11,547,825

(i) Disaggregated revenue information

For the year ended 31 December 2022

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	5,022,877	1,079,089	2,937,323	190,814	335,764	9,565,867
Australia and New Zealand	30,365	1,177	1,355,806	3	–	1,387,351
North America	–	714	27,475	–	1,192,618	1,220,807
Other locations*	126,719	6,579	238,608	228,835	1,148	601,889
Total	5,179,961	1,087,559	4,559,212	419,652	1,529,530	12,775,914
Timing of revenue recognition						
Goods transferred at a point in time	5,179,961	1,087,559	4,559,212	419,652	1,529,530	12,775,914

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

(i) Disaggregated revenue information (continued)

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
North America	–	542	26,451	–	472,355	499,348
Other locations*	117,056	5,899	249,634	283,806	57	656,452
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

* 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:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**264,215**	168,028

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue (continued)

(ii) Performance obligations

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

Other income and gains

	2022 RMB'000	2021 RMB'000
Bank interest income	**16,879**	4,793
Interest income from loans and bonds receivables	**3,140**	7,089
Foreign exchange gains	**76,669**	–
Fair value gains on derivative financial instruments	**23,596**	–
Government subsidies*	**18,508**	35,081
Gains from sale of raw materials	**23,882**	25,745
Gains from sale of scraps	**12,895**	–
Gain on disposal of a leasehold land	**3,399**	–
Gains on revision of lease term or early termination of leases	**3,175**	18,598
Gains on partial repurchase of the Senior Notes	**25,204**	–
Others	**12,471**	17,070
	219,818	108,376

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

6. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank loans and senior notes	**524,192**	256,040
Interest on lease liabilities (note 13(b))	**6,100**	7,699
Write-off of unamortised transaction costs and losses on modification upon refinancing of interest-bearing bank loans	**31,851**	–
Amortised (gain)/loss of interest rate hedge in relation to previous term loan	**(36,484)**	21,404
	525,659	285,143

7. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**4,823,197**	4,165,812
Depreciation of property, plant and equipment	12	**72,431**	82,229
Depreciation of right-of-use assets	13(a)	**38,576**	47,143
Amortisation of intangible assets	15	**200,276**	176,103
Auditor's remuneration		**10,429**	8,468
Research and development costs**		**158,188**	143,955
Lease payments not included in the measurement of lease liabilities	13(c)	**18,527**	13,424
Gains on revision of lease term or early termination of leases*	5	**(3,175)**	(18,598)
Gain on disposal of a leasehold land*	13(c)	**(3,399)**	–
Loss on disposal of items of property, plant and equipment and intangible assets**		**8,071**	918
Employee benefit expenses (including directors' and chief executive's remuneration) (note 8(a)):			
Wages and salaries		**1,107,720**	1,077,908
Pension scheme contributions (defined contribution schemes)		**178,186**	160,190
Staff welfare and other expenses		**82,799**	45,779
(Reversal of)/equity-settled share option expense	33	**(64,773)**	42,450
Equity-settled share award expense	34	**20,231**	–
		1,324,163	1,326,327
Foreign exchange (gains)/losses, net		**(76,669)***	146,705**
Fair value (gains)/losses on derivative financial instruments, net	28	**(23,596)***	134,342**
Fair value losses on other non-current financial assets**		**26,443**	4,650
Impairment of property, plant and equipment**	12	**3,041**	–
Impairment of goodwill**	14	**109,062**	76,000
Impairment of intangible assets **	15	**25,413**	–
Impairment of trade receivables**	22	**15,666**	18,926
Impairment of other receivables**	23	**13,213**	–
Write-down of inventories to net realisable value#		**249,229**	134,031
Amortised (gain)/loss of interest rate hedge in relation to previous term loan##	6	**(36,484)**	21,404
Gain on partial repurchase of the Senior Notes*	5	**(25,204)**	–

* Included in "Other income and gains" in profit or loss.

** Included in "Other expenses" in profit or loss.

Included in "Cost of sales" in profit or loss.

Included in "Finance costs" in profit or loss.

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

(a) Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	6,400	6,400
Other emoluments:		
Salaries, allowances and benefits in kind	20,924	18,806
Performance-related bonuses	24,337	15,032
(Reversal of)/equity-settled share option expense	(33,228)	15,990
Equity-settled share award expense	8,817	–
Pension scheme contributions	8,877	243
Termination benefits	6,794	–
	36,521	50,071
	42,921	56,471

During the year and in prior years, share options and share awards were granted to certain directors and chief executive in respect of their services to the Group, further details of which are set out in notes 33 and 34 to these financial statements, respectively. The fair values of these options, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amounts included in the financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

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

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

The remuneration of each of the directors and the chief executive for the year ended 31 December 2022 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Reversal of equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions# RMB'000	Termination costs RMB'000	Total RMB'000
2022								
Executive directors:								
Mr. Luo Fei	800	2,969	-	-	-	23	-	3,792
Mrs. Laetitia Albertini* *(Chief executive)*	800	12,607	18,356	(28,102)	4,205	8,648	6,794	23,308
Mr. Wang Yidong	800	5,348	5,981	(5,126)	3,337	206	-	10,546
	2,400	20,924	24,337	(33,228)	7,542	8,877	6,794	37,646
Non-executive directors:								
Mr. Luo Yun	800	-	-	-	-	-	-	800
Dr. Zhang Wen hui	800	-	-	-	-	-	-	800
	1,600	-	-	-	-	-	-	1,600
Independent non-executive directors:								
Mr. Tan Wee Seng	800	-	-	-	504	-	-	1,304
Mrs. Lok Lau Yin Ching	800	-	-	-	504	-	-	1,304
Mr. Wang Can**	800	-	-	-	267	-	-	1,067
	2,400	-	-	-	1,275	-	-	3,675
	6,400	20,924	24,337	(33,228)	8,817	8,877	6,794	42,921

* Mrs. Laetitia Albertini, an executive director and the chief executive officer of the Company, has ceased to be the chief executive officer of the Company with effect from 31 December 2022 and will be redesignated as a non-executive director with effect from 1 January 2023.

** Mr. Wang Can, has resigned from the board of directors and ceased to be the chairman of the audit committee with effect from 31 December 2022 and Mr. Ding Yuan has been appointed as an independent non-executive Director and the chairman of the Audit Committee with effect from 1 January 2023.

The pension scheme contributions include the costs for social security plans paid to France social security directly.

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

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

The remuneration of each of the directors and the chief executive for the year ended 31 December 2021 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2021						
Executive directors:						
Mr. Luo Fei	800	2,868	–	343	22	4,033
Mrs. Laetitia Albertini *(Chief executive)*	800	11,009	11,259	11,440	22	34,530
Mr. Wang Yidong	800	4,929	3,773	4,207	199	13,908
	2,400	18,806	15,032	15,990	243	52,471
Non-executive directors:						
Mr. Luo Yun	800	–	–	–	–	800
Dr. Zhang Wen hui	800	–	–	–	–	800
	1,600	–	–	–	–	1,600
Independent non-executive directors:						
Mr. Tan Wee Seng	800	–	–	–	–	800
Mrs. Lok Lau Yin Ching	800	–	–	–	–	800
Mr. Wang Can	800	–	–	–	–	800
	2,400	–	–	–	–	2,400
	6,400	18,806	15,032	15,990	243	56,471

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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

(b) Five highest paid employees

The five highest paid employees during the year included two (2021: two) directors, details of whose remuneration are set out in note 8(a) above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**8,918**	9,539
Performance-related bonuses	**11,627**	6,850
(Reversal of)/equity-settled share option expense	**(2,056)**	6,737
Equity-settled share award expense	**4,316**	–
Pension scheme contributions	**122**	445
	22,927	23,571

The number of non-director and non-chief executive highest paid employees whose remusneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HKD8,000,000 to HKD8,500,000	**1**	–
HKD8,500,001 to HKD9,000,000	**1**	1
HKD9,000,001 to HKD9,500,000	**–**	–
HKD9,500,001 to HKD10,000,000	**1**	1
HKD10,000,001 to HKD10,500,000	**–**	1
	3	3

During the year and in prior years, share options and share awards were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in notes 33 and 34 to these financial statements, respectively. The fair values of these share options, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amount included in the financial statements for the current year are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. INCOME TAX

	2022 RMB'000	2021 RMB'000
Current		
– Charge/(credit) for the year		
Mainland China	295,726	278,737
Hong Kong	121,188	169,742
Australia	40,667	(2,664)
Elsewhere	2,773	(1,264)
– Overprovision in the prior year	(789)	(2,279)
Deferred (note 31)	(40,417)	(100,543)
Total tax charge for the year	419,148	341,729

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% (2021: 25%) on the taxable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. Guangzhou Hapai and Biostime Health, the Company's wholly-owned subsidiaries operating in mainland China, were recognised as high-new technology enterprises in December 2022 and 2020, respectively, and are subject to EIT at a rate of 15% for three years from 2022 to 2024 and from 2020 to 2022, respectively. Therefore, Biostime Health and Guangzhou Hapai were subject to EIT at a rate of 15% for the years ended 31 December 2022 and 2021.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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 (2021: 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% (2021: 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.

9. INCOME TAX (CONTINUED)

Australia corporate income tax (continued)

Tax consolidation legislation (continued)

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.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**1,030,931**	850,213
Tax at the applicable PRC enterprise income tax rate	**257,733**	212,553
Overseas tax differences	**(22,004)**	(42,831)
Tax effects on preferential tax rates	**(33,641)**	(43,896)
Expenses not deductible for tax	**154,574**	161,669
Tax incentive on eligible expenses	**(5,625)**	–
Tax losses utilised from previous periods	**(1,810)**	(2,396)
Income not subject to tax	**(31,504)**	(17,680)
Tax losses not recognised	**36,667**	67,855
Tax on internal transfer of assets	**33,834**	–
Adjustment in respect of current tax of previous periods	**(789)**	(2,279)
Effect of withholding tax at 5% (2021: 5%) on the distributable profits of the Group's subsidiaries in mainland China	**31,713**	8,734
Tax charge at the Group's effective rate	**419,148**	341,729

10. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Dividends on ordinary shares declared and paid during the year:		
Interim – HKD0.25 (2021: HKD0.37) per ordinary share	139,737	198,051
Proposal final – HKD0.38 (2021: HKD0.17) per ordinary share	220,717	87,805
	360,454	285,856

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 640,031,979 (2021: 644,772,453) 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:

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	611,783	508,484

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	645,240,237	644,948,164
Weighted average number of shares held for the share award schemes	(5,208,258)	(175,711)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	640,031,979	644,772,453
Effect of dilution – weighted average number of ordinary shares:		
Share options and awarded shares	4,290,732	899,909
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	644,322,711	645,672,362

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2022	275,568	383,862	161,808	14,114	117,187	23,759	976,298
Additions	31	2,108	7,783	1,073	12,739	3,522	27,256
Disposals	–	(10,706)	(25,915)	(2,805)	(3,660)	(1,018)	(44,104)
Transfers	–	–	558	–	–	(558)	–
Exchange realignment	–	1,633	2,304	29	567	851	5,384
At 31 December 2022	275,599	376,897	146,538	12,411	126,833	26,556	964,834
Accumulated depreciation and impairment:							
At 1 January 2022	90,830	225,168	125,482	8,887	81,553	–	531,920
Depreciation provided during the year (note 7)	13,348	38,942	11,464	1,363	7,314	–	72,431
Impairment for this year (note 7)	–	–	–	–	–	3,041*	3,041
Disposals	–	(7,827)	(21,454)	(2,544)	(2,332)	-	(34,157)
Exchange realignment	–	1,425	1,250	28	514	-	3,217
At 31 December 2022	104,178	257,708	116,742	7,734	87,049	3,041	576,452
Net carrying amount:							
At 31 December 2022	171,421	119,189	29,796	4,677	39,784	23,515	388,382

During the year ended 31 December 2022, an impairment of RMB3,041,000 was provided in respect of a leasehold improvement project in progress related to pet food with a carrying amount of RMB3,041,000. The Group terminated the project and the directors of the Group assessed the recoverable amount of these assets was nil and made full provision on their carrying value, by taking into account the fact that no future economic benefits are expected either from its use or disposal of those assets.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2021	275,568	314,369	160,124	17,157	112,225	28,659	908,102
Additions	–	58,737	12,293	1,407	8,907	25,934	107,278
Acquisition of a subsidiary (note 36)	–	–	684	–	–	–	684
Disposals	–	(412)	(11,076)	(4,329)	(6,885)	(29)	(22,731)
Transfers	–	17,971	5,871	–	5,560	(29,402)	–
Exchange realignment	–	(6,803)	(6,088)	(121)	(2,620)	(1,403)	(17,035)
At 31 December 2021	275,568	383,862	161,808	14,114	117,187	23,759	976,298
Accumulated depreciation:							
At 1 January 2021	77,488	186,714	117,186	11,715	81,103	–	474,206
Depreciation provided during the year (note 7)	13,342	44,771	14,232	1,184	8,700	–	82,229
Acquisition of a subsidiary (note 36)	–	–	123	–	–	–	123
Disposals	–	(81)	(2,696)	(3,892)	(6,229)	–	(12,898)
Exchange realignment	–	(6,236)	(3,363)	(120)	(2,021)	–	(11,740)
At 31 December 2021	90,830	225,168	125,482	8,887	81,553	–	531,920
Net carrying amount:							
At 31 December 2021	184,738	158,694	36,326	5,227	35,634	23,759	444,378

13. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, buildings, plant and machinery, vehicles and office equipment. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings have varying lease terms of 1 to 10 years. Leases of plant and machinery generally have lease terms between 2 and 5 years, while vehicles and office equipment generally have lease terms between 1 and 10 years. The Group identified a lease embedded within a supplier contract for packaging and production for their operations, the obligations to which are expected to expire within 5.5 years.

The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Vehicles and office equipment RMB'000	Supplier contract RMB'000	Total RMB'000
As at 1 January 2021	55,853	84,246	6,280	4,651	18,561	169,591
Additions	–	40,449	275	480	–	41,204
Depreciation charge (note 7)	(1,478)	(36,135)	(1,409)	(3,003)	(5,118)	(47,143)
Early termination of leases	–	(13,527)	–	–	–	(13,527)
Exchange realignment	–	(3,239)	(441)	(306)	(1,222)	(5,208)
As at 31 December 2021 and 1 January 2022	**54,375**	**71,794**	**4,705**	**1,822**	**12,221**	**144,917**
Additions	**6,242**	**40,928**	**–**	**4,387**	**–**	**51,557**
Depreciation charge (note 7)	**(1,509)**	**(26,658)**	**(1,311)**	**(4,170)**	**(4,928)**	**(38,576)**
Early termination of leases	**–**	**(8,811)**	**–**	**–**	**–**	**(8,811)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	**(867)**	**–**	**–**	**–**	**(867)**
Disposal	**(5,999)**	**–**	**–**	**–**	**–**	**(5,999)**
Exchange realignment	**–**	**174**	**80**	**53**	**192**	**499**
As at 31 December 2022	**53,109**	**76,560**	**3,474**	**2,092**	**7,485**	**142,720**

13. LEASES (CONTINUED)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**102,582**	149,108
New leases	**45,315**	41,204
Early termination of leases	**(12,548)**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(305)**	(32,125)
Accretion of interest recognised during the year (note 6)	**6,100**	7,699
Payments	**(40,976)**	(56,413)
Exchange realignment	**975**	(6,891)
Carrying amount at 31 December	**101,143**	102,582
Analysed into:		
Current portion	**21,960**	23,533
Non-current portion	**79,183**	79,049

The maturity analysis of lease liabilities is disclosed in note 44 to these financial statements.

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**6,100**	7,699
Depreciation charge of right-of-use assets	**38,576**	47,143
Gains on revision of a lease term and early termination of leases (note 7)	**(3,175)**	(18,598)
Gain on disposal of a leasehold land (note 7)	**(3,399)**	–
Expense relating to short-term leases and leases of low-value assets (note 7)	**18,527**	13,424
Total amount recognised in profit or loss	**56,629**	49,668

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 37(c) and 40(b), respectively, to these financial statements.

14. GOODWILL

	2022 RMB'000	2021 RMB'000
At 1 January		
Cost	**7,547,994**	6,003,809
Accumulated impairment	**(76,000)**	–
Net carrying amount	**7,471,994**	6,003,809
Cost at 1 January, net of accumulated impairment	**7,471,994**	6,003,809
Acquisition of a subsidiary (note 36)	**–**	2,011,782
Impairment during the year (note 7)	**(109,062)**	(76,000)
Exchange realignment	**321,161**	(467,597)
Net carrying amount at 31 December	**7,684,093**	7,471,994
At 31 December		
Cost	**7,869,155**	7,547,994
Accumulated impairment	**(185,062)**	(76,000)
Net carrying amount at 31 December	**7,684,093**	7,471,994

Impairment testing of goodwill

During the year ended 31 December 2022, impairment losses of RMB102,631,000 and RMB6,431,000 were provided on 2 CGUs under the adult nutrition and care products segment and the baby care products segment, respectively (2021: an impairment loss RMB76,000,000 on a CGU under the infant formulas segment).

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

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15. INTANGIBLE ASSETS

	Trademark and brand name* RMB'000	Licence RMB'000	Customer relationships RMB'000	D2C E-commerce platform RMB'000	Unpatented products formula RMB'000	Distribution rights* RMB'000	Product registrations RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:									
At 1 January 2022	3,606,232	226,366	1,675,351	31,026	55,995	556,512	4,402	119,652	6,275,536
Additions	35	–	–	–	1,749	–	–	29,876	31,660
Disposal	–	–	–	–	(564)	–	–	(1,821)	(2,385)
Exchange realignment	195,614	2,419	79,814	(765)	1,126	–	(30)	3,128	281,306
At 31 December 2022	3,801,881	228,785	1,755,165	30,261	58,306	556,512	4,372	150,835	6,586,117
Accumulated amortisation and impairment:									
At 1 January 2022	–	72,950	529,913	9,306	22,364	–	1,144	67,423	703,100
Amortisation provided during the year (note 7)	–	14,258	154,640	3,659	5,321	–	219	22,179	200,276
Impairment during the year (note 7)	25,413	–	–	–	–	–	–	–	25,413
Disposal	–	–	–	–	(361)	–	–	(1,228)	(1,589)
Exchange realignment	–	533	16,251	(187)	519	–	(25)	2,519	19,610
At 31 December 2022	25,413	87,741	700,804	12,778	27,843	–	1,338	90,893	946,810
Net carrying amount:									
At 31 December 2022	3,776,468	141,044	1,054,361	17,483	30,463	556,512	3,034	59,942	5,639,307

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15. INTANGIBLE ASSETS (CONTINUED)

	Trademark and brand name* RMB'000	Licence RMB'000	Customer relationships RMB'000	D2C E-commerce platform RMB'000	Unpatented products formula RMB'000	Distribution rights* RMB'000	Product registrations RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:									
At 1 January 2021 (restated)	2,423,443	236,824	1,385,412	32,049	55,837	556,512	4,346	97,367	4,791,790
Additions	2,147	–	–	–	5,101	–	96	23,676	31,020
Acquisition of a subsidiary (note 36)	1,367,538	–	380,653	–	–	–	–	2,525	1,750,716
Disposal	(303)	–	–	–	–	–	–	(59)	(362)
Exchange realignment	(186,593)	(10,458)	(90,714)	(1,023)	(4,943)	–	(40)	(3,857)	(297,628)
At 31 December 2021	3,606,232	226,366	1,675,351	31,026	55,995	556,512	4,402	119,652	6,275,536
Accumulated amortisation:									
At 1 January 2021	–	60,313	433,733	6,409	19,485	–	850	46,439	567,229
Amortisation provided during the year (note 7)	–	14,616	130,154	3,199	4,625	–	306	23,203	176,103
Acquisition of a subsidiary (note 36)	–	–	–	–	–	–	–	374	374
Disposal	–	–	–	–	–	–	–	(56)	(56)
Exchange realignment	–	(1,979)	(33,974)	(302)	(1,746)	–	(12)	(2,537)	(40,550)
At 31 December 2021	–	72,950	529,913	9,306	22,364	–	1,144	67,423	703,100
Net carrying amount:									
At 31 December 2021	3,606,232	153,416	1,145,438	21,720	33,631	556,512	3,258	52,229	5,572,436

* Trademark, brand name and distribution rights are regarded as having indefinite useful lives as they are expected to generate net cash inflows to the Group indefinitely. As at 31 December 2022 and 2021, these intangible assets with indefinite useful lives were tested for impairment. For the year ended 31 December 2022, an impairment loss of RMB25,413,000 was provided on the trademark and brand name of a CGU under the adult nutrition and care products segment, details of which have been set out in note 16 to these financial statements.

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

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives acquired through business combinations have been allocated to individual CGUs under the following five categories.

- Infant formulas;
- Adult nutrition and care products;
- Dried baby food and nutrition supplements;
- Baby care products; and
- Pet nutrition and care products.

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

The respective carrying amounts of goodwill and intangible assets with indefinite useful lives allocated to the different CGUs, being the acquired companies or brands, are set out below:

	2022		2021	
	Goodwill RMB'000	**Intangible assets with indefinite useful lives RMB'000**	Goodwill RMB'000	Intangible assets with indefinite useful lives RMB'000
Infant formulas				
– Healthy Times™	**42,710**	**32,909**	39,098	30,847
– Biostime Changsha	**–**	**–**	–	–
– Farmland	**73,264**	**–**	71,837	–
	115,974	**32,909**	110,935	30,847
Adult nutrition and care products				
– Swisse™	**4,811,326**	**1,765,492**	4,717,627	1,731,110
– Swisse™ distribution right	**–**	**556,512**	–	556,512
– Aurelia™	**–**	**20,575**	105,227	46,607
	4,811,326	**2,342,579**	4,822,854	2,334,229
Dried baby food and nutrition supplements				
– Good Gout™	**101,396**	**81,652**	104,876	79,417
Baby care products				
– Dodie™	**59,538**	**15,443**	57,908	15,020
Pet nutrition and care products				
– Solid Gold™	**427,068**	**386,029**	390,956	353,545
– Zesty Paws™	**2,168,791**	**1,474,368**	1,984,465	1,349,686
	2,595,859	**1,860,397**	2,375,421	1,703,231
	7,684,093	**4,332,980**	7,471,994	4,162,744

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projection based on financial budgets or forecasts approved by management covering a period of five years. The growth rates used to extrapolate the cash flows beyond the period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

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

The pre-tax discount rates applied to cash flow projections and the growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	Discount rate		Growth rate	
	2022	2021	**2022**	2021
Infant formulas	**16.2%-16.9%**	16.6%-17.5%	**2.3%**	2.3%
Adult nutrition and care products	**11.7%-15.5%**	13.3%-14.8%	**2.0%-2.7%**	2.0%-2.4%
Dried baby food and nutrition supplements	**11.7%**	13.7%	**2.0%**	2.0%
Baby care products	**16.1%**	16.2%	**2.2%**	2.2%
Pet nutrition and care products	**10.8%-11.5%**	12.2%-12.4%	**2.0%-2.3%**	2.0%-3.0%

Assumptions were used in the value in use calculation of each CGU as at 31 December 2022 and 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and intangible assets with indefinite useful lives:

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

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

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

Forecast raw materials purchase prices – The bases used to determine the values assigned to forecast raw materials purchase prices are the forecasted price indices during the budget year for those countries where raw materials are sourced.

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

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

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

Following the annual impairment testing, an impairment loss of RMB134,475,000 (2021: RMB76,000,000) was charged to profit or loss during the year, due to the relevant intensive market competition. The details of the impairment loss were listed below:

CGU	Notes	Reportable segment	2022 RMB'000	2021 RMB'000
Aurelia™	(a)	Adult nutrition and care products	**128,044**	-
Good Gout™	(b)	Dried baby food and nutrition supplements	**6,431**	–
Biostime Changsha	(c)	Infant formulas	**–**	76,000
			134,475	76,000

Notes:

(a) As at 31 December 2022, based on the recoverable amount of RMB46,605,000 under the value in use calculation, the impairment losses amounting to RMB102,631,000 and RMB25,413,000 were recognised on the relevant goodwill and the brand name of Aurelia™, respectively.

Aurelia™ was acquired in 2019 and was engaged in research, development and sale of probiotic skincare products. The impairment losses were due to intense competition in the market of skincare products, which resulted in a decrease in sales of the CGU for the year as compared to the budget and a corresponding decrease in expected future cash flow of the CGU.

(b) As at 31 December 2022, based on the recoverable amount of RMB207,104,000 under the value in use calculation, an impairment loss amounting to RMB6,431,000 was recognised on the relevant goodwill of Good Gout™, which arose from the expected decline in market demand. Good Gout™ was acquired in 2018 and was engaged in marketing and distribution of baby food products.

(c) As at 31 December 2021, based on the recoverable amount of RMB182,846,000 under the value in use calculation, an impairment loss amounting to RMB76,000,000 was recognised on the relevant goodwill of Biostime Changsha.

Biostime Changsha was acquired in 2013 for the manufacture of infant formula products. Due to the intense market competition, sales of domestic-produced series of infant formulas products decreased as compared to the budget, which resulted on a corresponding decrease in the expected future cash flows of the CGU.

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17. BONDS RECEIVABLE

	2022 RMB'000	2021 RMB'000
Bonds receivable	**74,229**	72,197

The Group entered into a bond subscription agreement with Isigny Sainte Mère ("**ISM**") (the "**Bond Subscription Agreement**") on 2 January 2019, pursuant to which ISM issued, and the Group subscribed for 10,000,000 bonds, with a nominal value of EUR1 per bond, at a subscription price equivalent to the face value of the bond. The bonds bear interest at a rate of 2% per annum. The bonds will mature on 2 January 2024, five years from the date of the Bond Subscription Agreement. The carrying amount of bonds receivable approximates to their fair value.

The above bonds receivable balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

18. DEPOSITS

	2022 RMB'000	2021 RMB'000
Deposits paid for purchase of items of property, plant and equipment	**5,943**	2,959
Deposits paid for purchase of intangible assets	**48,685**	28,984
Rental deposits	**7,214**	10,362
	61,842	42,305

19. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	93,743	67,712
Goodwill on acquisition	58,392	–
	152,135	67,712

The Group's prepayment and trade payable balances with an associate are disclosed in note 23 and 25 to these financial statements, respectively.

Particulars of the associates are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Hangzhou Coamie Personal Care Products Co., Ltd.	RMB200,000,000	PRC/Mainland China	20%	Manufacture, retail and import and export of baby diapers
Life Spectacular, Inc. ("Life Spectacular")	USD617	United States	24%	Developing and selling customised skincare products

During the year, the Group acquired additional equity interests in Life Spectacular at a consideration of USD3,000,000 (approximately RMB20,143,000), increasing its shareholding to approximately 24%. Life Spectacular became an associate of the Group with the additional investment and was accounted for using the equity method during the year.

The Group's shareholding in the associates represents equity shares held through the wholly-owned subsidiaries of the Company.

The following table illustrates the financial information of the Group's associates that is not material to the Group:

	2022 RMB'000	2021 RMB'000
Share of the associates' (losses)/profit for the year	(21,633)	932
Share of the associates' total comprehensive (loss)/income	(21,633)	932
Aggregate carrying amount of the Group's investments in the associates	152,135	67,712

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20. OTHER NON-CURRENT FINANCIAL ASSETS

	2022 RMB'000	2021 RMB'000
Financial assets at fair value through profit or loss:		
– Unlisted equity investments (note (a))	**46,439**	118,257
– Other unlisted investments (note (b))	**106,649**	138,528
	153,088	256,785
Equity investments designated at fair value through other comprehensive income:		
– Listed equity investments: (note (c))		
BOD Australia Limited	**10,511**	18,074
Else Nutrition Holdings Limited ("Else")	**30,180**	60,924
– Other unlisted investments	**1,238**	–
	41,929	78,998
	195,017	335,783

Notes:

(a) These unlisted equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

(b) These unlisted investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(c) These equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

21. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**652,111**	796,011
Goods in transit	**671,558**	409,028
Work in progress	**3,623**	4,140
Finished goods	**1,260,409**	878,541
	2,587,701	2,087,720

22. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	747,762	716,027
Less: Impairment provision	(26,249)	(24,968)
	721,513	691,059
Bills receivable	47,538	48,198
	769,051	739,257

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:

	2022 RMB'000	2021 RMB'000
Within 1 month	314,564	477,008
1 to 3 months	411,192	223,721
Over 3 months	43,295	38,528
	769,051	739,257

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

	2022 RMB'000	2021 RMB'000
At beginning of year	24,968	13,123
Impairment losses recognised (note 7)	20,048	21,760
Amount written off as uncollectible	(15,825)	(5,706)
Impairment losses reversed (note 7)	(4,382)	(2,834)
Exchange realignment	1,440	(1,375)
At end of year	26,249	24,968

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	1.26%	4.99%	14.49%	23.12%	3.51%
Gross carrying amount (RMB'000)	558,146	124,368	24,334	40,914	747,762
Expected credit losses (RMB'000)	7,060	6,204	3,527	9,458	26,249

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

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

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments	85,986	155,993
Deposits	4,066	6,154
Other receivables	69,474	95,935
Prepaid expenses	19,743	21,597
Right-of-return assets	13,248	1,083
	192,517	280,762
Impairment allowance (note 7)	(13,213)	–
	179,304	280,762

As at 31 December 2022, the balance due from the Group's associate included in the prepayments was RMB4,000 (2021: Nil).

Except for the balances with a former supplier amounting to RMB13,213,000, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

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24. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	2,227,362	2,400,070
Time deposits	76,298	–
Restricted deposits	10,767	–
	2,314,427	2,400,070
Less:		
Restricted deposits for customer duties	(10,000)	–
Restricted deposits for operating leases	(767)	–
	(10,767)	–
Cash and cash equivalents as stated in the consolidated statement of financial position	2,303,660	2,400,070
Less:		
Non-pledged time deposit with original maturity of three months or more when acquired	(6,000)	–
Cash and cash equivalents as stated in the consolidated statement of cashflow	2,297,660	2,400,070
Denominated in RMB (note)	1,097,543	1,189,190
Denominated in other currencies	1,216,884	1,210,880
	2,314,427	2,400,070

Note:

The RMB is not freely convertible into other currencies, however, under mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. Long-term time deposits are with an original maturity over one year when acquired. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**1,340,970**	881,458

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:

	2022 RMB'000	2021 RMB'000
Within 1 month	**955,278**	671,096
1 to 3 months	**255,950**	171,715
Over 3 months	**129,742**	38,647
	1,340,970	881,458

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

As at 31 December 2022, there was no balance due to the Group's associate included in the trade and bills payables (2021: RMB1,248,000).

26. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Salaries and welfare payables		**208,272**	219,080
Accruals		**971,927**	876,264
Other tax payables		**140,983**	120,718
Other payables	(a)	**121,646**	190,638
Refund liabilities	(b)	**761,715**	777,509
		2,204,543	2,184,209
Less: Current portion		**(2,199,256)**	(2,175,358)
Non-current portion		**5,287**	8,851

Notes:

(a) Other payables are non-interest-bearing and have an average term of three months.

(b) Details of refund liabilities are as follows:

	2022 RMB'000	2021 RMB'000
Sales rebate	**717,609**	769,422
Sales return	**44,106**	8,087
	761,715	777,509

27. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Advances from customers	266,613	264,215	136,307
Customer loyalty points	–	–	31,721
	266,613	264,215	168,028

Contract liabilities represented the obligations to transfer goods to customers for which the Group has received consideration. Included in contract liabilities are advances received from customers.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2022 Assets RMB'000	2022 Liabilities RMB'000	2021 Assets RMB'000	2021 Liabilities RMB'000
Current					
Forward currency contracts	(a)	–	–	–	104
Warrants	(b)	–	–	3,751	–
The CCSs (as defined below)					
– designated as hedge	(e)	8,936	–	–	–
The Swaps (as defined below)	(d)	–	–	1,904	–
		8,936	–	5,655	104
Non-current					
Early redemption option embedded in the senior notes	(c)	13,760	–	13,715	–
The Swaps (as defined below)	(d)	76,790	1,531	–	205,999
The CCSs (as defined below)					
– designated as hedge	(e)	37,531	139,971	–	172,384
– not designated as hedge	(e)	–	42,247	–	52,419
		128,081	183,749	13,715	430,802

Notes:

(a) The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The fair value of the forward currency contracts as at 31 December 2022 was nil (2021: RMB104,000 (negative)). A fair value gain of RMB104,000 was recognised in profit or loss during the year (2021: a loss of RMB104,000).

(b) The Group was granted several warrants entitling the Group to acquire, subject to adjustment, one common share in the capital of Else for each warrant. The warrants were not exercised before maturity and were expired in September and October 2022. The fair value of the warrants as at 31 December 2022 was nil (2021: RMB3,751,000). A fair value loss of RMB3,751,000 was charged to profit or loss for the year (2021: RMB34,271,000).

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(c) An early redemption option is embedded in the senior notes, details of which are set out in note 30 to these financial statements. The fair value of the early redemption option as at 31 December 2022 was RMB13,760,000 (2021: RMB13,715,000). A fair value loss of RMB1,178,000 was charged to profit or loss for the year (2021: RMB76,161,000).

(d) Cash flow hedges

As at 31 December 2022 and 2021, the Group had certain cross currency interest rate swaps and cross currency swaps (collectively, the "Swaps") to hedge its exposure arising from bank borrowings carried at floating rates and denominated in foreign currencies. Under the Swaps, the Group agreed with the counterparties to exchange, at specified interval, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts in specified currencies.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the Swaps match the term of the term loans denominated in USD. The cash flow hedge relating to the expected interest and principal payments was assessed to be highly effective. The net fair value of the Swaps as at 31 December 2022 was RMB75,259,000 (2021: RMB204,095,000 (negative)). A gain of RMB324,640,000 (2021: RMB285,524,000) was included in the cash flow hedge reserve and a gain of the ineffective portion of RMB3,537,000 was recognised in profit or loss for the year (2021: a loss of RMB640,000).

Hedge ineffectiveness can arise from:

- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(d) Cash flow hedges (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount USD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000
As at 31 December 2022				
Swaps A	**517,917**	**76,790**	**Derivative financial instruments (liabilities)**	**78,138**
Swaps B	**150,000**	**(1,531)**	**Derivative financial instruments (liabilities)**	**(1,472)**
As at 31 December 2021				
Swaps A	517,917	(205,771)	Derivative financial instruments (liabilities)	(209,246)
Swaps B	150,000	(228)	Derivative financial instruments (liabilities)	(231)
Swaps C	350,000	1,904	Derivative financial instruments assets	1,932

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(d) Cash flow hedges (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Carrying amount RMB'000	Change in fair value used for measuring ineffectiveness RMB'000	Cash flow hedge reserve RMB'000
As at 31 December 2022			
USD interest-bearing bank loans	**5,208,022**	**78,169**	**54,671**
As at 31 December 2021			
USD interest-bearing bank loans	6,572,315	216,031	(5,900)

The effects of the cash flow hedge on the statement of profit or loss and other comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in profit or loss
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	RMB'000		Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	
Year ended 31 December 2022									
USD interest-bearing bank loans	**324,640**	**(93,870)**	**230,770**	**3,537**	**Other expense**	**(258,594)**	**88,395**	**(170,199)**	**Finance costs/ other expense**
Year ended 31 December 2021									
USD interest-bearing bank loans	285,524	(85,147)	200,377	(640)	Other expense	(178,018)	59,316	(118,702)	Finance costs/ other expense

(e) Hedges of net investments in foreign operations

As at 31 December 2022 and 31 December 2021, the Company had certain cross currency swap and cross currency interest rate swap agreements (the "**CCSs**") to hedge its exposure of foreign currency risks arising from its investment in mainland China and Australia. Under the CCSs, the Company agreed with the counterparties to exchange, at specified interval, the difference between fixed contract rates and fixed or floating-rate interest amounts calculated by reference to the agreed notional amounts in the specified currencies.

For the CCSs designated as hedging instruments, there is an economic relationship between the hedge item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the CCSs. The Company has established a hedge ration of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investments in the foreign subsidiaries becomes lower than the amount of the CCSs.

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(e) Hedges of net investments in foreign operations (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount USD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000
As at 31 December 2022				
CCSs A	**225,000**	**(139,971)**	**Derivative financial instruments (liabilities)**	**(177,631)**
CCSs B	**50,000**	**8,936**	**Derivative financial instruments (assets)**	**12,305**
CCSs C	**321,000**	**37,531**	**Derivative financial instruments (assets)**	**37,217**
As at 31 December 2021				
CCSs A	225,000	(150,892)	Derivative financial instruments (liabilities)	(173,204)
CCSs B	50,000	(21,492)	Derivative financial instruments (liabilities)	(32,988)

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (continued)

(e) Hedges of net investments in foreign operations (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring Ineffectiveness RMB'000	Exchange fluctuation reserve RMB'000
As at 31 December 2022		
Net investments in foreign subsidiaries	**(52,455)**	**(245,912)**
As at 31 December 2021		
Net investments in foreign subsidiaries	(167,755)	(308,132)

During the year, in respect of the CCSs designated as hedging instruments, a net gain of RMB62,220,000 (2021: a net loss of RMB79,020,000) arising from the changes in fair value was included in exchange fluctuation reserve and a net gain of RMB18,523,000 (2021: RMB6,552,000) was recognised in profit or loss. For the CCSs not designated as hedging instruments, a net gain of RMB6,361,000 (2021: a net loss of RMB29,718,000) was recognised in profit or loss during the year.

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29. INTEREST-BEARING BANK LOANS

	31 December 2022			31 December 2021		
	Effective interest rate** (%)	Maturity*	RMB'000	Effective interest rate** (%)	Maturity	RMB'000
Current						
Secured bank loan	–	–	–	LIBOR+margin	Mar-22	318,787
Secured bank loan	–	–	–	LIBOR+margin	Sep-22	2,204,380
Secured bank loan	–	–	–	BBSY+margin	Nov-22	57,490
Secured bank loan	–	–	–	LIBOR+margin	Nov-22	545,080
Secured bank loan	HIBOR+margin	Jun-23	113,166	–	–	–
Secured bank loan	SOFR+margin	Jun-23	275,512	–	–	–
Secured bank loan	HIBOR+margin	Dec-23	167,753	–	–	–
Secured bank loan	SOFR+margin	Dec-23	410,811	–	–	–
			967,242			3,125,737
Non-current						
Secured bank loan	–	–	–	BBSY+margin	Nov-22	–
Secured bank loan	–	–	–	LIBOR+margin	Nov-22	–
Secured bank loan	–	–	–	BBSY+margin	May-23	56,836
Secured bank loan	–	–	–	LIBOR+margin	May-23	537,918
Secured bank loan	–	–	–	BBSY+margin	Nov-23	265,240
Secured bank loan	–	–	–	LIBOR+margin	Nov-23	3,451,100
Secured bank loan	HIBOR+margin	Jun-24	225,663	–	–	–
Secured bank loan	SOFR+margin	Jun-24	539,536	–	–	–
Secured bank loan	HIBOR+margin	Dec-24	846,237	–	–	–
Secured bank loan	SOFR+margin	Dec-24	2,023,260	–	–	–
Secured bank loan	HIBOR+margin	Jun-25	902,652	–	–	–
Secured bank loan	SOFR+margin	Jun-25	2,158,143	–	–	–
			6,695,491			4,311,094
			7,662,733			7,436,831

* These interest-bearing bank loans shall become due in full if the Senior Notes have not been repaid or otherwise refinanced, refunded, replaced, exchanged, renewed, redeemed, defeased, discharged, or extended, in full on or prior to the date falling 3 months prior to the maturity of the Senior Notes.

** HIBOR stands for the Hongkong InterBank Offered Rate.

SOFR stands for the Secured Overnight Financing Rate.

BBSY stands for the Australian Bank Bill Swap Bid Rate.

LIBOR stands for the London InterBank Offered Rate.

29. INTEREST-BEARING BANK LOANS (CONTINUED)

	2022 RMB'000	2021 RMB'000
Analysed into:		
Within one year or on demand	967,242	3,125,737
In the second year	3,634,696	4,311,094
In the third to fifth years, inclusive	3,060,795	–
	7,662,733	7,436,831

Notes:

(a) As at 31 December 2022 and 2021, the Group's interest-bearing bank loans are guaranteed on a joint and several basis by the Company and certain of the Company's subsidiaries and are secured by fixed and floating charges over present and future assets of the Company and certain of its subsidiaries and assignments over the Company's and certain of its subsidiaries' rights to their material contracts and insurance policies. In addition, certain subsidiaries' shares are also pledged.

(b) The Group's interest-bearing bank loans are subject to the fulfilment of certain covenants relating to limitations on indebtedness. The Company regularly monitors its compliance with these covenants.

(c) As at 31 December 2022, the Group's bank loans were denominated in USD, AUD and HKD at aggregate amounts of RMB5,407,262,000 (2021: RMB7,057,265,000), nil (2021: RMB379,566,000) and RMB2,255,471,000 (2021: Nil), respectively.

30. SENIOR NOTES

On 24 October 2019, the Company issued senior notes due 24 October 2024 with an aggregate principal amount of USD300,000,000 (the "**Senior Notes**"), which are listed on The Stock Exchange of Hong Kong Limited. The coupon interest rate of the Senior Notes is 5.625% per annum and interest is paid semi-annually. The Company used the net proceeds of the Senior Notes to redeem the senior notes issued on 21 June 2016 and 23 January 2017.

During the period from 17 August 2022 to 26 October 2022, the Company has in aggregate repurchased the Senior Notes of USD29,844,000 in principal amount of the Senior Notes on market, representing approximately 9.95% of the outstanding principal amount, at a total consideration of USD26,159,000 (approximately RMB183,209,000), resulting in a gain of RMB25,204,000 recognised in profit or loss.

The Senior Notes are secured by a floating charge over the assets of the Company (other than any assets located in the PRC or shares of subsidiaries) on a second-ranking basis. Besides, they are jointly and severally guaranteed on a senior subordinated basis by certain subsidiaries.

Pursuant to the terms of the Senior Notes, on or after 24 October 2021, the Company may on any one or more occasions redeem all or any part of the Senior Notes, at the redemption prices (expressed as percentages of the principal amount) set forth below, plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable redemption date, if redeemed during the twelve-month period beginning on 24 October of the years indicated below (subject to the rights of holders of Senior Notes on the relevant record rate to receive interest on the relevant interest payment date).

30. SENIOR NOTES (CONTINUED)

Period	Redemption price
2021	102.81250%
2022	101.40625%
2023 and thereafter	100.00000%

The Company may at its option redeem the Senior Notes, in whole but not in part, at any time prior to 24 October 2021, at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the applicable redemption date.

At any time and from time to time prior to 24 October 2021, the Company may redeem up to 40% of the aggregate principal amount of the Senior Notes with the net cash proceeds of one or more sales of common stock of the Company in one or more equity offerings at a redemption price of 105.625% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to, but not including, the applicable redemption date; provided that at least 60% of the aggregate principal amount of the Senior Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

As at 31 December 2022, the fair value of the early redemption option embedded in the Senior Notes amounted to RMB13,760,000 (31 December 2021: RMB13,715,000), details of which are set out in note 28 (c) to these financial statements.

The Senior Notes are subject to the fulfilment of covenants relating to limitations on indebtedness and certain transactions of the Company and certain of its subsidiaries. The Company regularly monitors its compliance with these covenants.

The movements of the Senior Notes during the years ended 31 December 2021 and 2022 are set out below:

	RMB'000
At 1 January 2021	1,985,559
Interest charged during the year	107,062
Interest paid during the year	(108,838)
Exchange realignment	(45,331)
At 31 December 2021 and 1 January 2022	**1,938,452**
Partial repurchase of the Senior Notes	**(183,209)**
Gain on partial repurchase of the Senior Notes (note 5)	**(25,204)**
Interest charged during the year	**109,087**
Interest paid during the year	**(112,767)**
Exchange realignment	**179,200**
At 31 December 2022	**1,905,559**
Less: Current portion	**(19,411)**
Non-current portion	**1,886,148**

31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2022 and 2021 are as follows:

Deferred tax assets

	Provision for impairment of assets RMB'000	Accrued liabilities and future deductible expenses RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Tax losses recognised RMB'000	Cash flow hedges RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	2,942	431,498	68,303	80,090	4,721	15,292	602,846
Credited/(charged) to profit or loss for the year (note 9)	21,492	(22,819)	17,118	(15,231)	156	34,509	35,225
Deferred tax charged to equity during the year	–	–	–	–	(5,475)	–	(5,475)
Exchange realignment	–	773	–	3,180	598	653	5,204
At 31 December 2022	24,434	409,452	85,421	68,039	–	50,454	637,800
At 1 January 2021	12,336	375,618	58,395	95,021	25,014	21,155	587,539
(Charged)/credited to profit or loss for the year (note 9)	(9,394)	61,139	9,908	(9,558)	6,614	(4,405)	54,304
Deferred tax charged to equity during the year	–	–	–	–	(25,831)	–	(25,831)
Exchange realignment	–	(5,259)	–	(5,373)	(1,076)	(1,458)	(13,166)
At 31 December 2021	2,942	431,498	68,303	80,090	4,721	15,292	602,846

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Withholding tax on distributable profits of subsidiaries in the PRC RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Cash flow hedges RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	171	61,864	756,532	–	7,565	826,132
Charged/(credited) to profit or loss for the year (note 9)	16,754	(16,017)#	(29,148)	22,255	964	(5,192)
Exchange realignment	5	149	14,549	782	6	15,491
At 31 December 2022	16,930	45,996	741,933	23,037	8,535	836,431
At 1 January 2021	111	81,466	848,665	–	7,800	938,042
Charged/(credited) to profit or loss for the year (note 9)	72	(18,924)#	(27,530)	–	143	(46,239)
Exchange realignment	(12)	(678)	(64,603)	–	(378)	(65,671)
At 31 December 2021	171	61,864	756,532	–	7,565	826,132

The amount represented a deferred tax provision of RMB31,713,000 (2021: RMB8,734,000) on the distributable profits of the Company's subsidiaries in mainland China after offsetting the realised deferred tax liabilities of RMB47,730,000 (2021: RMB27,658,000) arising from dividends declared by these subsidiaries to their foreign investors during the year.

31. DEFERRED TAX (CONTINUED)

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

	2022 RMB'000	2021 RMB'000
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December	637,800	602,846
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	(836,431)	(826,132)
	(198,631)	(223,286)

Deferred tax assets of RMB36,667,000 (2021: RMB67,855,000) have not been recognised in respect of tax losses of the Group as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the Enterprise Income Tax Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of earnings generated from 1 January 2008. The applicable rate for the Group is 5%.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

	2022	2021
Authorised:		
10,000,000,000 (2021: 10,000,000,000) ordinary shares of HKD0.01 each	HKD100,000,000	HKD100,000,000
Issued and fully paid:		
645,561,354 (2021: 645,211,045) ordinary shares of HKD0.01 each	HKD6,455,614	HKD6,452,110
Equivalent to	RMB5,519,000	RMB5,516,000

32. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HKD'000	Equivalent to RMB'000
At 1 January 2021	644,433,102	6,444	5,510
Share options exercised (note (a))	777,943	8	6
At 31 December 2021 and 1 January 2022	**645,211,045**	**6,452**	**5,516**
Share options exercised (note (b))	**350,309**	**4**	**3**
At 31 December 2022	**645,561,354**	**6,456**	**5,519**

Notes:

(a) During the year ended 31 December 2021, the subscription rights attaching to 777,943 share options were exercised at the subscription prices ranging from HKD2.53 to HKD29.25 per share, resulting in the issue of 777,943 ordinary shares for a total cash consideration, before expenses, of HKD14,275,000 (equivalent to approximately RMB11,832,000).

(b) During the year ended 31 December 2022, the subscription rights attaching to 350,309 share options were exercised at the subscription prices of HKD15.58 per share, resulting in the issue of 350,309 ordinary shares for a total cash consideration, before expenses, of HKD5,458,000 (equivalent to approximately RMB4,875,000).

Share options

Details of the Company's share option schemes and the share options exercised under the schemes are included in note 33 to these financial statements.

31 December 2022

33. SHARE OPTION SCHEMES

The Company adopted a pre-initial public offering share option scheme (the "**Pre-IPO Share Option Scheme**") on 12 July 2010 and a share option scheme (the "**2010 Share Option Scheme**") on 25 November 2010 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Pre-IPO Share Option Scheme and the 2010 Share Option Scheme expired on 17 December 2020 and 24 November 2020, respectively.

Pursuant to the resolution of the annual general meeting of the Company held on 8 May 2020, a new share option scheme (the "**2020 Share Option Scheme**") has been adopted and in effect, and the 2010 Share Option Scheme was terminated upon the 2020 Share Option Scheme becoming unconditional. Thereafter, no further options shall be offered under the 2010 Share Option Scheme but in all other respects the provisions of the 2010 Share Option Scheme shall remain in full force and effect and options granted thereunder prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue. Subject to the terms of the 2020 Share Option Scheme, the 2020 Share Option Scheme shall be valid and effective for a period of 10 years commencing on 8 May 2020.

The subscription price per share for all options granted under the Pre-IPO Share Option Scheme is HKD2.53. In respect of the 2020 Share Option Scheme, as same with the subscription price of options under the 2010 Share Option Scheme, the exercise price of the share options is determined by the board of directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

(i) Movements in share options

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

31 December 2022

	Pre-IPO Share Option Scheme		2010 Share Option Scheme		2020 Share Option Scheme		
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	Total number of options '000
At 1 January 2022	–	–	30.34	13,043	31.80	10,435	23,478
Forfeited during the year	–	–	32.20	(5,814)	31.82	(5,511)	(11,325)
Exercised during the year	–	–	15.58	(350)	–	–	(350)
Expired during the year	–	–	19.72	(160)	–	–	(160)
At 31 December 2022	–	–	29.76	6,719	31.78	4,924	11,643

33. SHARE OPTION SCHEMES (CONTINUED)

(i) Movements in share options (continued)

31 December 2021

	Pre-IPO Share Option Scheme		2010 Share Option Scheme		2020 Share Option Scheme		
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000	Total number of options '000
At 1 January 2021	2.53	57	30.68	17,020	31.88	12,729	29,806
Granted during the year	–	–	–	–	31.02	1,154	1,154
Forfeited during the year	–	–	34.82	(3,221)	31.84	(3,448)	(6,669)
Exercised during the year	2.53	(26)	18.90	(752)	–	–	(778)
Expired during the year	2.53	(31)	22.60	(4)	–	–	(35)
At 31 December 2021	–	–	30.34	13,043	31.80	10,435	23,478

The weighted average share prices at the date of exercise for share options exercised under the 2010 Share Option Scheme during the year were HKD16.55 per share (2021: HKD30.55 per share).

A total of 350,309 share options were exercised during the year under these share option schemes, resulting in the issue of 350,309 ordinary shares of the Company and new share capital of HKD4,000 (equivalent to approximately RMB3,000) and share premium of HKD5,454,000 (equivalent to approximately RMB4,872,000) (before issue expenses). An amount of RMB1,124,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Share option reserve of RMB25,370,000 related to the forfeited or expired shares that have been vested was transferred to retained profits during the year (2021: RMB14,394,000).

During the year, the Group reversed share option reserve of RMB64,773,000 related to forfeited shares that have not been vested through profit or loss (2021: Nil) and no share option expense was recognised related to the share option schemes (2021: RMB42,450,000).

(ii) Outstanding share options

The exercise prices and exercise periods of the share options outstanding under the Pre-IPO Share Option Scheme, the 2010 Share Option Scheme and the 2020 Share Option Scheme as at 31 December 2022 and 2021 are as follows:

33. SHARE OPTION SCHEMES (CONTINUED)

(ii) Outstanding share options (continued)

2010 Share Option Scheme

31 December 2022 Number of options '000	31 December 2021 Number of options '000	Exercise price* HKD per share	Exercise period
–	345	15.580	30-12-16 to 30-12-22
–	10	15.580	1-4-17 to 1-4-23
360	481	15.580	1-4-18 to 1-4-24
450	513	15.580	1-4-19 to 1-4-25
–	91	21.050	30-12-16 to 30-12-22
54	54	21.050	1-4-18 to 1-4-24
36	36	21.050	1-4-19 to 1-4-25
–	49	20.920	30-12-16 to 30-12-22
26	40	20.920	1-4-18 to 1-4-24
19	19	20.920	1-4-19 to 1-4-25
13	13	23.300	1-4-17 to 1-4-23
18	31	23.300	1-4-18 to 1-4-24
33	46	23.300	1-4-19 to 1-4-25
144	147	25.750	1-4-18 to 1-4-24
148	173	25.750	1-4-19 to 1-4-25
150	150	25.750	1-4-20 to 1-4-26
19	23	22.150	1-4-18 to 1-4-24
25	30	22.150	1-4-19 to 1-4-25
4,036	5,505	29.250	1-4-21 to 1-4-27
27	40	47.100	1-4-19 to 1-4-25
13	69	47.100	1-4-21 to 1-4-27
117	205	60.020	1-4-21 to 1-4-27
147	179	59.050	1-4-21 to 1-4-27
39	39	47.270	1-4-21 to 1-4-27
114	149	49.150	1-4-21 to 1-4-27
300	300	49.150	1-4-22 to 1-4-28
81	153	45.790	1-4-21 to 1-4-27
–	23	32.650	1-4-21 to 1-4-27
–	3,780	32.650	1-4-22 to 1-4-28
350	350	26.10	1-4-22 to 1-4-28
6,719	13,043		

33. SHARE OPTION SCHEMES (CONTINUED)

(ii) Outstanding share options (continued)

2020 Share Option Scheme

31 December 2022 Number of options '000	31 December 2021 Number of options '000	Exercise price* HKD per share	Exercise period
1,884	2,254	31.88	1-4-22 to 1-4-28
–	3,088	31.88	1-4-23 to 1-4-29
2,450	4,119	31.88	1-4-24 to 1-4-30
214	232	31.02	1-4-22 to 1-4-28
–	318	31.02	1-4-23 to 1-4-29
376	424	31.02	1-4-24 to 1-4-30
4,924	10,435		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At 31 December 2022, the share options outstanding under the 2010 Share Option Scheme and the 2020 Share Option Scheme were divided into two to three tranches at their respective grant dates. Generally, the first tranche vests one year after the grant date while the remaining tranches vest in the subsequent two to three years. There is a six-year exercise period for each share option granted under the 2010 Share Option Scheme and the 2020 Share Option Scheme.

The exercise in full of the outstanding share options under the share option schemes would, under the present capital structure of the Company, result in the issue of 11,643,000 additional ordinary shares of the Company and additional share capital of HKD116,000 (equivalent to approximately RMB104,000) and share premium of HKD356,294,000 (equivalent to approximately RMB318,267,000) (before issue expenses).

Subsequent to the end of the reporting period, 333,000 share options were forfeited and no share option exercised, respectively. At the date of approval of these financial statements, the Company had 11,310,000 share options outstanding under the three share option schemes, which represented approximately 1.8% of the Company's shares in issue as at that date.

33. SHARE OPTION SCHEMES (CONTINUED)

(iii) Fair value of the share options

The directors of the Company used Hull-White model to determine the fair value of the share options as at the grant date, which is to be expensed over the relevant vesting period. No share options were granted in the year ended 31 December 2022. For the year ended 31 December 2021, the weighted average fair value of share options granted to other employees are HKD9.45 (equivalent to RMB7.88) per share.

Other than the exercise price disclosed above, significant judgement on parameters, such as dividend yield, expected volatility and risk-free interest rate, are required to be made by the directors in applying the Hull White model, which are summarised below:

	2021	
	Options granted to directors	Options granted to other employees
Dividend yield (%)	–	3.39
Expected volatility (%)	–	46.84
Risk-free interest rate (%)	–	0.97

34. SHARE AWARD SCHEMES

2022 Share Award Scheme

The board of directors of the Company approved a share award scheme (the "2022 Share Award Scheme") on 11 January 2022, from when the 2022 Share Award Scheme will remain in force for ten years unless otherwise cancelled or amended. The purposes of the 2022 Share Award Scheme are to recognise the contributions by certain employees of the Company or of any subsidiary and to give incentives thereto in order to retain and motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group, by providing them with the opportunity to acquire equity interests in the Company.

Subject to the terms of the 2022 Share Award Scheme and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the board of directors may at any time make an offer to any eligible person it may in its absolute discretion select to accept the grant of an award over such number of shares as it may determine.

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

During the year ended 31 December 2022, 6,536,500 ordinary shares of the Company on the Stock Exchange were purchased for the 2022 Share Award Scheme at a total consideration of HKD75,757,000 (equivalent to approximately RMB61,776,000).

34. SHARE AWARD SCHEMES (CONTINUED)

2022 Share Award Scheme (continued)

Summary of particulars of the shares granted under the 2022 Share Award Scheme (the "2022 Awarded Shares") during the period is as follows:

					Number of Awarded Shares		
Date of grant	Number of Outstanding Awarded Shares as at 31 December 2021	Shares newly granted during the period	Fair value	Vesting date	Vested during the period	Forfeited during the period	Outstanding Awarded Shares at 31 December 2022
2022/4/8	–	1,861,531	21,575,144	2023/4/1	–	(140,470)	1,721,061*
2022/4/8	–	1,861,531	20,886,378	2024/4/1	–	(742,897)	1,118,634*
2022/4/8	–	2,482,040	26,830,863	2025/4/1	–	(990,528)	1,491,512*
2022/12/14	–	111,000	1,548,450	2024/4/1	–	–	111,000
2022/12/14	–	148,000	1,984,680	2025/4/1	–	–	148,000
	–	6,464,102	72,825,515		–	(1,873,895)	4,590,207

* Among these Awarded Shares granted, 1,636,271 of the Awarded Shares were granted to the executive directors and non-executive directors.

The Group recognised a share award expense of RMB20,231,000 during the year (2021: Nil) in relation to the 2022 Share Award Scheme.

The directors of the Company determine the fair value of the share awards as at the grant date, which is measured at the market price of the entity's shares, adjusted by the present value of the expected dividends per share during the vesting period. Significant judgement on parameters, such as share price at grant date, and risk-free interest rate, are required to be made by the directors to measure the fair value of the awarded shares.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 96 and 97 of these financial statements.

The Group's contributed surplus represents the excess of the previous nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation over the previous nominal value of the Company's shares issued and cash consideration paid in exchange therefor.

The Group's capital surplus represents 1% of the equity in Biostime Health contributed by Biostime Pharmaceuticals (China) Limited, the ultimate shareholder, during the year ended 31 December 2009 when Biostime Health became a wholly-owned subsidiary of the Group.

In accordance with the Company Law of the People's Republic of China, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

36. 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:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	12	561
Intangible assets	15	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	14	2,011,782
Total consideration		3,961,876
Satisfied by:		
Cash		3,941,827
Other payables		20,049
		3,961,876

36. BUSINESS COMBINATIONS (CONTINUED)

Acquisition in 2021 (continued)

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.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB45,315,000 (2021: RMB41,204,000) and RMB45,315,000 (2021: RMB41,204,000), respectively, in respect of lease arrangements for buildings, plant and machinery, and vehicles.

(b) Changes in liabilities arising from financing activities

2022

	Derivative financial instruments RMB'000	Interest-bearing bank loans RMB'000	Senior notes RMB'000	Interest payables# RMB'000	Lease liabilities RMB'000
At 1 January 2022	430,802	7,436,831	1,938,452	7,609	102,582
Changes from financing cash flows	(29,485)	(858,336)	(295,976)	(33,845)	(40,976)
New leases	–	–	–	–	45,315
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	–	–	(305)
Early termination of leases	–	–	–	–	(12,548)
Total (gains)/losses recognised in profit or loss	(20,797)	31,851	(25,204)	–	–
Total gains recognised in other comprehensive income	(234,130)	–	–	–	–
Interest expense	–	386,978	109,087	28,127	6,100
Exchange realignment	37,359	665,409	179,200	(1,891)	975
At 31 December 2022	183,749	7,662,733	1,905,559	–	101,143

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

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

2021

	Derivative financial instruments RMB'000	Interest-bearing bank loans RMB'000	Senior notes RMB'000	Interest payables# RMB'000	Lease liabilities RMB'000
At 1 January 2021	684,583	4,038,793	1,985,559	9,028	149,108
Changes from financing cash flows	(39,900)	3,513,790	(108,838)	(148,978)	(56,413)
New leases	–	–	–	–	41,204
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	–	–	(32,125)
Total losses recognised in profit or loss	23,806	–	–	–	–
Total gains recognised in other comprehensive income	(204,572)	–	–	–	–
Interest expense	–	50,291	107,062	98,687	7,699
Exchange realignment	(33,115)	(166,043)	(45,331)	48,872	(6,891)
At 31 December 2021	430,802	7,436,831	1,938,452	7,609	102,582

Included in other payables and accruals.

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within financing activities	40,976	56,413

38. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

39. PLEDGE OF ASSETS

Details of the Group's bank loans and senior notes, which are secured by the assets of the Group, are included in notes 29 and 30, respectively, to these financial statements.

40. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting periods:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Intangible assets	**12,072**	10,950
Property, plant and equipment	**3,807**	1,257
	15,879	12,207

(b) There were no lease contracts that have not yet commenced as at 31 December 2022 and 2021.

41. RELATED PARTY BALANCES AND TRANSACTIONS

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

(a) Related party transactions

	2022 RMB'000	2021 RMB'000
Purchases of finished goods from an associate [Note]	**2,636**	108,686

Note:

The transactions were conducted in accordance with mutually agreed terms.

(b) Material outstanding balances with related parties

Details of the Group's trade payable and prepayments balances with the associate as at the end of the reporting period are disclosed in notes 23 and 25 to these financial statements, respectively.

(c) Compensation of key management personnel of the Group

In addition to the amounts paid to the Company's directors as disclosed in note 8(a), compensation of other key management personnel of the Group is as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	**52,465**	34,665
Pension scheme contributions	**360**	760
(Reversal of)/equity-settled share option expense	**(15,171)**	15,689
Equity-settled share award expense	**9,865**	–
Termination benefits	**3,909**	–
Total compensation paid to key management personnel	**51,428**	51,114

42. FINANCIAL INSTRUMENTS BY CATEGORY

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

2022

Financial assets

	Notes	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income – Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
		Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000			
Bonds receivable	17	–	–	–	74,229	74,229
Trade and bills receivables	22	–	–	–	769,051	769,051
Financial assets included in prepayments, other receivables and other assets		–	–	–	56,261	56,261
Derivative financial instruments	28	–	137,017	–	–	137,017
Restricted deposits	24	–	–	–	10,767	10,767
Cash and cash equivalents	24	–	–	–	2,303,660	2,303,660
Other non-current financial assets	20	46,439	106,649	41,929	–	195,017
		46,439	243,666	41,929	3,213,968	3,546,002

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	25	–	1,340,970	1,340,970
Financial liabilities included in other payables and accruals		–	1,093,573	1,093,573
Derivative financial instruments	28	183,749	–	183,749
Interest-bearing bank loans	29	–	7,662,733	7,662,733
Senior notes	30	–	1,905,559	1,905,559
Lease liabilities	13	–	101,143	101,143
		183,749	12,103,978	12,287,727

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2021

Financial assets

	Notes	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income – Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
		Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000			
Bonds receivable	17	–	–	–	72,197	72,197
Trade and bills receivables	22	–	–	–	739,257	739,257
Financial assets included in prepayments, other receivables and other assets		–	–	–	95,935	95,935
Derivative financial instruments	28	–	19,370	–	–	19,370
Cash and cash equivalents	24	–	–	–	2,400,070	2,400,070
Other non-current financial assets	20	118,257	138,528	78,998	–	335,783
		118,257	157,898	78,998	3,307,459	3,662,612

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	25	–	881,458	881,458
Financial liabilities included in other payables and accruals		–	1,066,902	1,066,902
Derivative financial instruments	28	430,906	–	430,906
Interest-bearing bank loans	29	–	7,436,831	7,436,831
Senior notes	30	–	1,938,452	1,938,452
Lease liabilities	13	–	102,582	102,582
		430,906	11,426,225	11,857,131

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	**13,760**	13,715	**13,760**	13,715
– Warrants	**–**	3,751	**–**	3,751
– The Swaps	**76,790**	1,904	**76,790**	1,904
– The CCSs	**46,467**	–	**46,467**	–
Other non-current financial assets	**195,017**	335,783	**195,017**	335,783
	332,034	355,153	**332,034**	355,153
Financial liabilities				
Derivative financial instruments				
– The Swaps	**(1,531)**	(205,999)	**(1,531)**	(205,999)
– The CCSs	**(182,218)**	(224,803)	**(182,218)**	(224,803)
– Forward currency contracts	**–**	(104)	**–**	(104)
Senior notes	**(1,905,559)**	(1,938,452)	**(1,627,580)**	(1,916,229)
	(2,089,308)	(2,369,358)	**(1,811,329)**	(2,347,135)

Management has assessed that the fair values of cash and cash equivalents, restricted deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals and lease liabilities (current) approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

(a) The fair values of bonds receivable, lease liabilities (non-current) and the interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for lease liabilities (non-current) and interest-bearing loans, and the suppliers' non-performance risk for bonds receivable as at 31 December 2022 were assessed to be insignificant.

(b) The financial assets at fair value through profit or loss included in the other non-current financial assets are measured using valuation technique of the discounted cash flow model using significant unobservable market inputs or the last transaction price method with market observable inputs.

(c) The fair values of equity investments designed at fair value through other comprehensive income included in the other non-current financial assets are based on quoted market prices.

(d) The Group enters into forward currency contracts with various counterparties, principally financial institutions. Derivative financial instruments arising from the forward currency contracts are measured using market observable input. The carrying amounts of forward currency contracts are the same as their fair values.

(e) The fair value of warrants is measured using the valuation technique of the Black-Scholes model using significant observable market inputs.

(f) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including the CCIRSs and the CCSs, were measured by using a discounted cash flow model. The valuation techniques used both observable and unobservable market inputs. The fair values of the CCIRSs and the CCSs were the same as their carrying amounts.

(g) The derivative financial instrument arising from the early redemption option embedded in the senior notes is measured using the valuation technique of the Hull White model, and using significant unobservable market inputs.

The fair value of the senior notes is based on the quoted market price provided by a leading global financial market data provider.

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

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Other non-current financial assets – investment in ISM	Discounted cash flow model	Discount rate	2022: 3.61% to 3.69% (2021: 3.58% to 3.66%)	1% (2021: 1%) increase in discount rate would result in decrease in fair value by RMB194,000 (2021: RMB209,000) 1% (2021: 1%) decrease in discount rate would result in increase in fair value by RMB191,000 (2021: RMB217,000)
Other non-current financial assets – investment in Arla	Recent transaction price method	Recent transaction price	Not applicable	Not applicable
Other non-current financial assets – the unlisted equity investment	Market approach	Enterprise value-to-sales ratio	2022: 3.22 to 3.28 (2021: not applicable)	1% (2021: not applicable) increase in enterprise value-to-sales ratio would result in increase in fair value by RMB251,000 (2021: not applicable) 1% (2021: not applicable) decrease in enterprise value-to-sales ratio would result in decrease in fair value by RMB244,000 (2021: not applicable)

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument – the CCSs (USD/RMB)	Discounted cash flow model	Discount rate – receive leg	2022: 3.95% to 5.07% (2021: 0.21% to 1.37%)	1% (2021: 1%) increase in discount rate would result in decrease in fair value by RMB1,824,000 (2021: RMB627,000) 1% (2021: 1%) decrease in discount rate would result in increase in fair value by RMB1,826,000 (2021: RMB627,000)
		Discount rate – pay leg	2022: 1.66% to 2.24% (2021: 2.36% to 2.91%)	1% (2021: 1%) increase in discount rate would result in increase in fair value by RMB951,000 (2021: RMB1,739,000) 1% (2021: 1%) decrease in discount rate would result in decrease in fair value by RMB951,000 (2021: RMB1,741,000)
Derivative financial instrument – the CCSs (USD/AUD)	Discounted cash flow model	Discount rate – receive leg	2022: 3.70% to 4.87% (2021: 0.21% to 1.37%)	1% (2021: 1%) increase in discount rate would result in increase in fair value by RMB1,356,000 (2021: RMB46,000) 1% (2021: 1%) decrease in discount rate would result in decrease in fair value by RMB1,358,000 (2021: RMB46,000)
		Discount rate – pay leg	2022: 3.25% to 4.37% (2021: 0.10% to 1.87%)	1% (2021: 1%) increase in discount rate would result in decrease in fair value by RMB1,233,000 (2021: RMB53,000) 1% (2021: 1%) decrease in discount rate would result in increase in fair value by RMB1,235,000 (2021: RMB53,000)

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument – the Swaps (USD/HKD)	Discounted cash flow model	Discount rate – receive leg	2022: 3.95% to 5.07% (2021: 0.21% to 0.82%-0.94%)	1% (2021: 1%) increase in discount rate would result in decrease in fair value by RMB247 (2021: RMB175,000) 1% (2021: 1%) decrease in discount rate would result in increase in fair value by RMB247 (2021: RMB175,000)
		Discount rate – pay leg	2022: 3.57% to 4.73% (2021: 0.27% to 0.47%-0.86%)	1% (2021: 1%) increase in discount rate would result in increase in fair value by RMB413,000 (2021: RMB207,000) 1% (2021: 1%) decrease in discount rate would result in decrease in fair value by RMB413,000 (2021: RMB207,000)
Derivative financial instrument – the Swaps (USD/AUD)	Discounted cash flow model	Discount rate – receive leg	2022: 4.26% to 4.34% (2021: 0.207% to 0.211%)	1% (2021: 1%) increase in discount rate would result in decrease in fair value by RMB834,000 (2021: RMB5,785,000) 1% (2021: 1%) decrease in discount rate would result in increase in fair value by RMB843,000 (2021: RMB5,818,000)
		Discount rate – pay leg	2022: 3.19% to 3.25% (2021: 0.067% to 0.068%)	1% (2021: 1%) increase in discount rate would result in increase in fair value by RMB7,103,000 (2021: RMB57,486,000) 1% (2021: 1%) decrease in discount rate would result in decrease in fair value by RMB7,225,000 (2021: RMB52,692,000)

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

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument – early redemption option embedded in the senior notes	Discounted cash flow model	Discount Rate	2022: 4.48% (2021: 5.35%)	1% (2021: 1%) increase in credit spread would result in increase in fair value by RMB3,577,000 (2021: RMB2,588,000) 1% (2021: 1%) decrease in credit spread would result in decrease in fair value by RMB3,589,000 (2021: RMB2,593,000)
Other non-current financial assets – USD denominated loan receivable	Discounted cash flow model	Discount rate	2022: not applicable (2021: 5.40% to 5.50%)	Not applicable (2021: 1% increase in discount rate would result in decrease in fair value by RMB13,000) Not applicable (2021: 1% decrease in discount rate would result in increase in fair value by RMB13,000)

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

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2022				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	13,760	13,760
– The Swaps	–	–	76,790	76,790
– The CCSs	–	–	46,467	46,467
Other non-current financial assets	40,691	–	154,326	195,017
	40,691	–	291,343	332,034
As at 31 December 2021				
Derivative financial instruments				
– Early redemption option embedded in the senior notes	–	–	13,715	13,715
– Warrants	–	3,751	–	3,751
– The Swaps	–	–	1,904	1,904
Other non-current financial assets	78,998	–	256,785	335,783
	78,998	3,751	272,404	355,153

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

	2022 RMB'000	2021 RMB'000
At 1 January	272,404	228,802
Addition	3,438	131,934
Derecognition	(85,913)	–
Net cash settlement	(59,341)	–
Total losses charged to profit or loss	(19,997)	(80,811)
Total gains recognised in equity	152,730	1,932
Exchange realignment	28,022	(9,453)
At 31 December	291,343	272,404

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

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	Significant Observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2022				
Derivative financial instruments				
– The CCSs	–	–	182,218	182,218
– The Swaps	–	–	1,531	1,531
	–	–	183,749	183,749
As at 31 December 2021				
Derivative financial instruments				
– Forward currency contracts	–	104	–	104
– The CCSs	–	–	224,803	224,803
– The Swaps	–	–	205,999	205,999
	–	104	430,802	430,906

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

	2022 RMB'000	2021 RMB'000
At 1 January	430,802	684,583
Net cash settlement	(29,485)	(39,900)
Total (gains)/losses charged to profit or loss	(20,797)	23,806
Total gains recognised in equity	(234,130)	(204,572)
Exchange realignment	37,359	(33,115)
At 31 December	183,749	430,802

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group also enters into derivative transactions, including the foreign currency contracts, the Swaps and the CCSs. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to these financial statements.

Interest rate risk

In respect of the floating interest rate instruments, the Group is subject to the cash flow interest rate risk, while for the fixed interest rate instruments, the Group is subject to fair value interest rate risk.

To manage the interest rate risk arising from the floating interest rate instruments, the Group has entered into the Swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At as 31 December 2022, after taking into account the effect of the Swaps, approximately 53% (2021: 44%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax by assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2022	**50**	**(18,274)**
Year ended 31 December 2022	**(50)**	**18,274**
Year ended 31 December 2021	50	(2,038)
Year ended 31 December 2021	(50)	2,038

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases or financing by operating units in currencies other than the units' functional currencies. Approximately 3% (2021: 4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 68% (2021: 66%) of costs were denominated in currencies other than the units' functional currencies. Certain operating units of the Group use forward currency contracts to eliminate the foreign currency exposures. The Group also has certain bank balances denominated in AUD, HKD, USD and EUR. In addition, the Group has investments denominated in EUR, and provided loans to suppliers denominated in USD and issued senior notes in USD. Also, the Group has certain bank loans which are denominated in USD and HKD.

During the year, the Group has hedged 100% (2021: 100%) of its foreign currency exposure from its interest-bearing bank borrowings. The Group has used the Swaps to reduce the exposure to foreign currency risk arising from the borrowings.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB or AUD against each of the following currencies, with all other variables held constant, of the Group's profit before tax (arising from USD and EUR denominated financial instruments).

	Increase/(decrease) in USD/EUR rates %	Increase/ (decrease) in profit before tax RMB'000
2022		
If the RMB weakens against the USD	**5**	**2,152**
If the RMB strengthens against the USD	**(5)**	**(2,152)**
If the RMB weakens against the EUR	**5**	**3,503**
If the RMB strengthens against the EUR	**(5)**	**(3,503)**
If the AUD weakens against the USD	**5**	**5,433**
If the AUD strengthens against the USD	**(5)**	**(5,433)**
If the AUD weakens against the EUR	**5**	**1,213**
If the AUD strengthens against the EUR	**(5)**	**(1,213)**

31 December 2022

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/ (decrease) in USD/EUR rates %	Increase/ (decrease) in profit before tax RMB'000
2021		
If the RMB weakens against the USD	5	3,291
If the RMB strengthens against the USD	(5)	(3,291)
If the RMB weakens against the EUR	5	7,210
If the RMB strengthens against the EUR	(5)	(7,210)
If the AUD weakens against the USD	5	2,054
If the AUD strengthens against the USD	(5)	(2,054)
If the AUD weakens against the EUR	5	6,212
If the AUD strengthens against the EUR	(5)	(6,212)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Bonds receivable#	74,229	–	74,229
Trade receivables*	–	747,762	747,762
Bills receivable#	47,538	–	47,538
Financial assets included in prepayments, other receivables and other assets#	56,261	–	56,261
Restricted deposits	10,767		10,767
Cash and cash equivalents	2,303,660	–	2,303,660
	2,492,455	747,762	3,240,217

As at 31 December 2021

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Bonds receivable#	72,197	–	72,197
Trade receivables*	–	716,027	716,027
Bills receivable#	48,198	–	48,198
Financial assets included in prepayments, other receivables and other assets#	95,935	–	95,935
Cash and cash equivalents	2,400,070	–	2,400,070
	2,616,400	716,027	3,332,427

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to these financial statements.

\# The credit quality of bonds receivable, bills receivable and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

	2022					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	–	1,322,549	18,421	–	–	1,340,970
Financial liabilities included in other payables and accruals	1,093,573	–	–	–	–	1,093,573
Derivative financial instruments	–	–	24,769	132,727	–	157,496
Interest-bearing bank loans	–	101,390	1,280,914	7,274,978	–	8,657,282
Senior notes	–	–	105,836	1,987,364	–	2,093,200
Lease liabilities	–	6,086	18,258	87,795	797	112,936
	1,093,573	1,430,025	1,448,198	9,482,864	797	13,455,457

	2021					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	–	842,811	38,647	–	–	881,458
Financial liabilities included in other payables and accruals	1,066,902	–	–	–	–	1,066,902
Derivative financial instruments	–	9,356	(58,887)	485,306	–	435,775
Interest-bearing bank loans	–	363,306	2,947,920	4,443,591	–	7,754,817
Senior notes	–	–	107,590	2,127,890	–	2,235,480
Lease liabilities	–	7,371	22,113	85,489	103	115,076
	1,066,902	1,222,844	3,057,383	7,142,276	103	12,489,508

31 December 2022

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using the liabilities to assets ratio, which is total liabilities divided by total assets. The liabilities to assets ratios as at the end of the reporting periods are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Total liabilities	**14,821,172**	14,396,561
Total assets	**20,963,025**	20,281,747
Liabilities to assets ratio	**71%**	71%

31 December 2022

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	–	21
Investments in subsidiaries	13,763,758	12,629,808
Due from subsidiaries	1,648,756	–
Deferred tax assets	379	347
Derivative financial instruments	51,290	13,715
Other non-current financial assets	–	37,000
Deposits	2,101	–
Total non-current assets	15,466,284	12,680,891
CURRENT ASSETS		
Prepayments, deposits and other receivables	5,269	10,241
Derivative financial instruments	8,937	1,903
Due from subsidiaries	8,490,812	8,562,108
Loans to subsidiaries	904,587	1,523,794
Cash and cash equivalents	518,989	512,327
Total current assets	9,928,594	10,610,373
CURRENT LIABILITIES		
Trade payables	25,991	9,106
Due to subsidiaries	10,226,838	9,395,164
Other payables and accruals	41,811	35,878
Tax payable	2,147	1,965
Interest-bearing bank loans	584,082	2,572,906
Senior notes	19,411	19,752
Total current liabilities	10,900,280	12,034,771
NET CURRENT LIABILITIES	(971,686)	(1,424,398)
TOTAL ASSETS LESS CURRENT LIABILITIES	14,494,598	11,256,493
NON-CURRENT LIABILITIES		
Derivative financial instruments	183,749	225,031
Senior notes	1,886,148	1,918,700
Interest-bearing bank loans	4,099,892	1,216,577
Total non-current liabilities	6,169,789	3,360,308
Net assets	8,324,809	7,896,185
EQUITY		
Issued capital	5,519	5,516
Reserves (note)	8,098,573	7,802,864
Proposed dividend	220,717	87,805
Total equity	8,324,809	7,896,185

Luo Fei
Director

Wang Yidong
Director

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

Note:

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

	Share premium account RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021	673,589	(1)	3,260,270	168,275	–	(415,234)	4,221,830	7,908,729
Total comprehensive income for the year	–	–	–	–	–	(269,184)	395,021	125,837
Shares issued for the equity-settled share option arrangements	15,406	–	–	(3,580)	–	–	–	11,826
Equity-settled option arrangements	–	–	–	42,450	–	–	–	42,450
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	(14,394)	–	–	14,394	–
Final 2020 and interim 2021 dividend declared	–	–	–	–	–	–	(198,173)	(198,173)
Proposed final 2021 dividend	–	–	–	–	–	–	(87,805)	(87,805)
At 31 December 2021 and 1 January 2022	**688,995**	**(1)**	**3,260,270**	**192,751**	**–**	**(684,418)**	**4,345,267**	**7,802,864**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**851,589**	**(94)**	**851,495**
Shares issued for the equity-settled share option arrangements	**5,996**	**–**	**–**	**(1,124)**	**–**	**–**	**–**	**4,872**
Equity-settled option arrangements	**–**	**–**	**–**	**(64,773)**	**–**	**–**	**–**	**(64,773)**
Equity-settled share award arrangements	**–**	**–**	**–**	**–**	**20,231**	**–**	**–**	**20,231**
Transfer of share option reserve upon the forfeiture or expiry of share options	**–**	**–**	**–**	**(25,370)**	**–**	**–**	**25,370**	**–**
Share purchased for the 2022 Share Award Schemes	**–**	**(61,776)**	**–**	**–**	**–**	**–**	**–**	**(61,776)**
Final 2021 and interim 2022 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**(233,623)**	**(233,623)**
Proposed final 2022 dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(220,717)**	**(220,717)**
At 31 December 2022	**694,991**	**(61,777)**	**3,260,270**	**101,484**	**20,231**	**167,171**	**3,916,203**	**8,098,573**

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

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

46. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 21 March 2023.

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