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Health and Happiness (H&H) International Holdings Limited

健合(H&H)國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1112)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2024	2023	
	RMB million (Unaudited)	RMB million (Unaudited)	
Revenue	6,692.1	6,980.8	-4.1%
Gross profit	4,072.3	4,262.4	-4.5%
EBITDA*	1,098.4	1,397.9	-21.4%
Adjusted EBITDA*	1,139.8	1,309.5	-13.0%
Adjusted EBITDA margin	17.0%	18.8%	-1.8pts
Net profit	305.8	608.0	-49.7%
Adjusted Net profit**	347.2	513.4	-32.4%
Adjusted net profit margin	5.2%	7.4%	-2.2pts

* EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA = EBITDA – Non-cash gains of RMB5.5 million for the six months ended 30 June 2024 (six months ended 30 June 2023: gains of RMB88.4 million) + Non-recurring losses of RMB46.9 million for the six months ended 30 June 2024 (six months ended 30 June 2023: nil)

** Adjusted net profit = Net profit + EBITDA adjustment items of losses of RMB41.4 million for the six months ended 30 June 2024 (six months ended 30 June 2023: gains of RMB88.4 million) – Other non-cash gains of nil for the six months ended 30 June 2024 (six months ended 30 June 2023: gains of RMB6.2 million)

The board (the “**Board**”) of directors (the “**Directors**”) of Health and Happiness (H&H) International Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023, as follows:

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

Six months ended 30 June 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(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		(433,251)	(357,996)
Share of losses of associates		(12,669)	(83)
PROFIT BEFORE TAX		523,939	903,152
Income tax expense	6	(218,136)	(295,138)
PROFIT FOR THE PERIOD		305,803	608,014

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

Six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	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	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

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

Six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
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		<u>(1,494)</u>	<u>4,063</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		<u>(40,572)</u>	<u>116,161</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>265,231</u>	<u>724,175</u>
Profit attributable to owners of the parent		<u>305,803</u>	<u>608,014</u>
Total comprehensive income attributable to owners of the parent		<u>265,231</u>	<u>724,175</u>
		RMB	RMB
		(Unaudited)	(Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	8		
Basic		<u>0.48</u>	<u>0.95</u>
Diluted		<u>0.48</u>	<u>0.95</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		353,642	369,545
Right-of-use assets		132,663	141,202
Goodwill		7,747,965	7,820,522
Intangible assets		5,469,922	5,582,409
Deposits		26,403	28,903
Investment in associates		122,281	134,950
Deferred tax assets		548,844	580,624
Derivative financial instruments		10,350	48,057
Other non-current financial assets		200,381	202,358
		<hr/>	<hr/>
Total non-current assets		14,612,451	14,908,570
CURRENT ASSETS			
Inventories		1,879,022	2,374,801
Trade and bills receivables	9	1,054,116	1,060,254
Prepayments, other receivables and other assets		295,509	247,113
Bonds receivable		–	78,592
Derivative financial instruments		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
		<hr/>	<hr/>
Total current assets		5,719,932	5,133,400
CURRENT LIABILITIES			
Trade payables	10	996,514	1,040,677
Other payables and accruals		2,116,185	2,216,061
Contract liabilities		55,658	200,461
Derivative financial instruments		70,698	103,924
Interest-bearing bank loans and other borrowings		5,555,037	4,289,907
Lease liabilities		30,079	37,415
Senior notes		152,141	432,237
Tax payable		127,504	120,507
Dividend payables		105,414	–
		<hr/>	<hr/>
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
(continued)
30 June 2024

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	11,123,153	11,600,781
NON-CURRENT LIABILITIES		
Senior notes	1,960,526	1,228,363
Interest-bearing bank loans and other borrowings	1,835,380	3,164,988
Other payables and accruals	6,632	6,119
Lease liabilities	58,860	69,643
Derivative financial instruments	11,672	50,646
Deferred tax liabilities	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	5,519	5,519
Other reserves	6,454,269	6,188,111
Proposed dividend	–	101,594
Total equity	6,459,788	6,295,224

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(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		433,251	357,996
Share of losses of associates		12,669	83
Depreciation of property, plant and equipment		34,117	32,773
Depreciation of right-of-use assets		19,815	17,675
Amortisation of intangible assets		94,209	99,432
Loss on early termination of leases		32	–
Loss on disposal of items of property, plant and equipment and intangible assets		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		47	1,393
Reversal of impairment of property, plant and equipment		–	(776)
Write-down of inventories to net realisable value		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
(continued)

Six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	<u>1,052,540</u>	<u>22,069</u>
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	<u>8,032</u>	<u>13,459</u>
Net cash flows from/(used in) investing activities	<u>8,389</u>	<u>(19,309)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of senior notes	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)
Partial repurchase of senior notes	(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	(31,920)	(18,416)
Interest paid	(400,590)	(348,303)
Proceeds from cross currency swaps (“CCSs”)	43,234	13,609
Proceeds from termination of certain CCSs	<u>27,111</u>	<u>–</u>
Net cash flows used in financing activities	<u>(86,704)</u>	<u>(205,657)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(continued)

Six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows used in financing activities	<u>(86,704)</u>	<u>(205,657)</u>
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	<u>40,586</u>	<u>42,961</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>2,379,094</u>	<u>2,137,724</u>
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	<u>427</u>	<u>61,555</u>
Cash and cash equivalent as stated in the interim condensed consolidated statement of financial position and interim condensed consolidated statement of cash flows	<u>2,379,094</u>	<u>2,137,724</u>

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 (“**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 bridge loan falls due. On this basis, the directors of the Company consider that the Group is able to meet in full its financial obligations as they fall due in the coming 12 months. Accordingly, the 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	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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.

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	<u>1,798,440</u>	<u>508,556</u>	<u>3,275,585</u>	<u>124,573</u>	<u>984,978</u>	<u>-</u>	<u>6,692,132</u>
Segment results	<u>1,056,976</u>	<u>394,602</u>	<u>2,103,279</u>	<u>59,008</u>	<u>458,429</u>	<u>-</u>	<u>4,072,294</u>
<i>Reconciliations:</i>							
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							<u>523,939</u>
Other segment information:							
Depreciation and amortisation	<u>14,769</u>	<u>3,452</u>	<u>40,521</u>	<u>5,244</u>	<u>39,250</u>	<u>44,905</u>	<u>148,141</u>
Impairment of trade receivables	<u>-</u>	<u>-</u>	<u>47</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47</u>
Write-down/(write-back) of inventories to net realisable value	<u>(2,946)</u>	<u>6,682</u>	<u>31,368</u>	<u>(1,235)</u>	<u>48,897</u>	<u>-</u>	<u>82,766</u>
Capital expenditure*	<u>11,010</u>	<u>643</u>	<u>5,928</u>	<u>1,255</u>	<u>9,306</u>	<u>3,290</u>	<u>31,432</u>

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
<i>Reconciliations:</i>							
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.

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 2024	31 December 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
	<u>6,104,911</u>	<u>6,257,009</u>

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	<u>6,692,132</u>	<u>6,980,848</u>

Disaggregated revenue information

For the six months ended 30 June 2024 (unaudited)

Segments	Infant	Probiotic	Adult	Other	Pet	Total
	formulas	and	nutrition	pediatric	nutrition	
	RMB'000	nutritional	and care	products	and care	RMB'000
	RMB'000	supplements	products	RMB'000	products	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
	<u>1,798,440</u>	<u>508,556</u>	<u>3,275,585</u>	<u>124,573</u>	<u>984,978</u>	<u>6,692,132</u>
Total						
	<u>1,798,440</u>	<u>508,556</u>	<u>3,275,585</u>	<u>124,573</u>	<u>984,978</u>	<u>6,692,132</u>
Timing of revenue recognition						
Goods transferred at a point in time	<u>1,798,440</u>	<u>508,556</u>	<u>3,275,585</u>	<u>124,573</u>	<u>984,978</u>	<u>6,692,132</u>

For the six months ended 30 June 2023 (unaudited)

Segments	Infant formulas <i>RMB'000</i>	Probiotic and nutritional supplements <i>RMB'000</i>	Adult nutrition and care products <i>RMB'000</i>	Other pediatric products <i>RMB'000</i>	Pet nutrition and care products <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>2,213,750</u>	<u>743,571</u>	<u>2,938,215</u>	<u>158,634</u>	<u>926,678</u>	<u>6,980,848</u>

Timing of revenue recognition

Goods transferred at a point in time	<u>2,213,750</u>	<u>743,571</u>	<u>2,938,215</u>	<u>158,634</u>	<u>926,678</u>	<u>6,980,848</u>
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* Including Hong Kong SAR and Taiwan of the PRC.

Other income and gains

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(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	<u>118,231</u>	<u>156,494</u>

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

6. 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	47,491	43,271
Total	<u>218,136</u>	<u>295,138</u>

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%).

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 entities.

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.

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.

7. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Final declared – HKD0.18 (2023: HKD0.38) per ordinary share	<u>104,949</u>	<u>215,745</u>
Dividends on ordinary shares declared after the interim reporting date:		
Interim – HKD0.30 (2023: HKD0.44) per ordinary share	<u>173,581</u>	<u>256,700</u>

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).

8. 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
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>305,803</u>	<u>608,014</u>

	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	<u>(4,560,345)</u>	<u>(5,856,435)</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>641,001,009</u>	<u>639,704,919</u>
Effect of dilution – weighted average number of ordinary shares:		
Share options and awarded shares	<u>1,977,819</u>	<u>3,613,542</u>
Adjusted weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u>642,978,828</u>	<u>643,318,461</u>

9. 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	<u>90,332</u>	<u>53,303</u>
Total	<u>1,054,116</u>	<u>1,060,254</u>

10. 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	<u>53,343</u>	<u>43,861</u>
Total	<u>996,514</u>	<u>1,040,677</u>

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

CHAIRMAN’S STATEMENT

The first half of the year was a challenging period for the Group. Despite a decline in revenue on a reported and like-for-like (“LFL”) basis, primarily due to the downturn in the infant milk formulas (“IMF”) segment, leading to a decrease in net profit, we made substantial progress towards achieving our main goals for the year, including:

- Driving healthy growth levels and market share gains in areas where we see the highest margins, especially for the fast-growing nutritional supplements¹ ranges within our three strategic business pillars – Adult Nutrition and Care (“ANC”), Baby Nutrition and Care (“BNC”) and Pet Nutrition and Care (“PNC”) – which now account for 66.1% of our total revenue;
- Continuing to win in core: with our ANC business growing by low-teens, led its enduring strength in mainland China and Australia and New Zealand (“ANZ”), while expanding the distribution and positioning of our PNC business in North America;
- Expanding our market share in the mainland China IMF market in line with our long-term strategy, with Biostime ascending to the No. 3 position in the overall super-premium IMF segment, despite IMF segment recording a double-digit decline due to longer-than-expected competitive intensity and market-wide promotional activity in Mainland China;
- Delivering a consistent level of profitability across all business segments; and
- Diversifying our sources of funding and optimising our capital structure, while bolstering our inventory management to improve our working capital. The decline in the Group’s reported net profit is primarily due to reduced BNC segment sales, one-time restructuring costs for Solid Gold’s product portfolio premiumisation and channel optimisation in North American; and increased finance costs.

In the first half of 2024, the Group continued to advance its sustainability agenda, emphasising employee well-being and community impact. H&H Group in Australia maintained its Great Place to Work certification for the fourth consecutive year, while H&H Singapore earned recognition as a Company of Good – 1 Heart for its significant societal and environmental contributions. These accomplishments reinforced our commitment to fostering an inclusive, supportive workplace culture and driving positive change in our communities.

¹ Nutritional supplements include Biostime probiotic supplements, Biostime paediatric products, Swisse vitamin, herbal and mineral supplement (“VHMS”) products, and Solid Gold and Zesty Paws pet supplements.

Finally, I am pleased to announce an interim dividend of HKD0.30 per ordinary share, consistent with previous years. Our ability to simultaneously sustain our growth and profitability levels, strengthen our capital structure, deliver sustained returns to shareholders, while have a positive impact on people and the environment, remains essential for pushing forward with our journey towards becoming a global leader in premium family nutrition and wellness with a well-formed offering of superior products and aspirational brands.

ADULT NUTRITION AND CARE

Our ANC segment delivered double-digit growth, in line with our expectations, against a high base following a one-off surge in demand post-COVID in the first half of last year. This growth rate masked the level of robust demand for health supplements we are continuing to see across all regions. Further, we outperformed the growth of the overall market, especially in mainland China where we continued to strategically align with evolving consumer preferences with successful product launches in innovative categories, in line with our PPAE (Premium, Proven, Aspirational and Engaging) model.

In mainland China, Swisse grew by high-single digit with improved profitability and an expanded market share, driven by robust consumer demand for beauty, multi-vitamins and detox products, as well as new product launches within innovative categories. We continued to capitalise on consumer segmentation and penetration, further extending Swisse's product portfolio into Swisse Plus+, Swisse Me and Little Swisse as part of its mega-brand strategy to better capture demand for premium nutritional products from different consumer audiences.

Importantly, Swisse Plus+, with its higher profitability, made a double-digit contribution to total ANC revenue in mainland China, growing by 48.7%. In addition, Swisse Plus+ maintained its leading position in the overall anti-aging category and continued to hold significant market share, while Swisse Liver Cleanse continued to sustain its leading position in the high-end thistle segment in mainland China e-commerce market.

As Swisse delivered on its strategy, sales in the cross-border e-commerce (“CBEC”) channel grew by 12.2%, contributing 78.1% of our mainland China ANC revenue. Sales in the normal trade channel slightly declined by 2.1% due to a high base and lower traffic in the pharmacy channel. This saw Swisse strengthen its status as the No. 1 brand in the mainland China online VHMS market², while its rising market share elevated it to the No. 2 position in the overall VHMS market³.

² According to research statistics by Early Data, an independent data provider, market share data for the past twelve months ended 30 June 2024.

³ According to research statistics by Kantar Worldpanel, an independent research company, market share data for the past twelve months ended 30 June 2024.

In ANZ, our second largest market by revenue, we sustained a healthy double-digit growth rate, maintaining its No. 1 position in the overall Australian VHMS market⁴, even as industry growth began to normalise. Our continued growth was led by our ongoing product innovation and premiumisation efforts in the domestic channel, especially around our Swisse gummies range which currently holds a No. 2 market share of 15.6%⁵. Swisse has been honoured as the Most Trusted Vitamin Brand for 2024, as part of the highly recognised Reader's Digest Trusted Brands Australia Awards. This recognition underscores Swisse's unwavering commitment to quality, innovation, building and maintaining consumer trust.

In other territories, Hong Kong SAR and Italy, our most profitable expansion markets, contributed strong growth, while our newer expansion markets including Thailand, India and the Middle East also grew robustly. We maintained our high market share rankings in several of these markets, including No. 1 market position in the beauty VHMS, liver health and men's health markets in Singapore⁶ and No. 2 market position beauty VHMS markets in Italy⁷.

BABY NUTRITION AND CARE

Our BNC segment performed below expectations as our IMF business in mainland China faced stronger and more sustained headwinds than initially expected. While the long-term systemic issues facing all players in the IMF industry remain prevalent, the market has struggled to clear old 'GB approved' stock, resulting in longer-than-expected competitive intensity and discounting activity. This, in turn, impacted our sell-in rates and our profitability in the first half of the year despite the pace of decline significantly narrowing quarter by quarter.

Despite these ongoing challenges, we continued to push forward with our strategy of expanding our market share. We had considerable success, ascending to the No. 3 market share position in the overall super-premium IMF segment in mainland China⁸, extending our market share in this segment from 11.7% to 13.0%.

We believe this strategy will bear better fruit in the coming years, especially after the industry moves past the 'new GB standards' transition and as more players exit the market. Indeed, there are some tentative signs that the industry decline is bottoming out, with some e-commerce platforms reporting an uptick in IMF product sales for babies aged 0-6 months during the recent 618 shopping festival. In the meantime, we will continue to and acquire new customers and invest in consumer education to drive awareness and future growth.

⁴ Based on total market unit sales, according to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁵ According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁶ According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁷ According to research statistics by IMS IQVIA, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁸ According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 30 June 2024.

Sales of our high-margin paediatric probiotic and nutritional supplements in mainland China fell by 32.0% due to a high base effect following a one-off surge in demand for probiotics in the first half of last year and lower traffic in the pharmacy channel. Beneath this, overall demand for probiotics remains solid although constrained by low birthrates.

Moreover, we saw some significant pockets of growth in other parts of this category, with sales of paediatric nutritional supplements growing by 113.0% and contributing 12.2% of total paediatric probiotic and nutritional supplements sales in mainland China, driven by increasing demand, particularly for our innovative products such as calcium, DHA and gummies that support the physical and mental well-being of children. These product innovations further strengthened Biostime's No. 1 position in paediatric probiotics in mainland China⁹.

Outside of mainland China, we continued to grow the international presence of our BNC business by building recognition and trust around our innovative and more specialised IMF products. We continued to retain our No. 1 positions in the organic IMF and the goat milk IMF categories in the French pharmacy channel, with market shares of 40.6% and 43.7%, respectively¹⁰.

PET NUTRITION AND CARE

In North America, the Group's third largest market, we continued to rapidly develop our PNC business, with our Zesty Paws and Solid Gold brands benefiting from the well-established pet nutrition premiumisation and pet humanising trends, as well as the expanding pet population.

Zesty Paws, now one of the most recognised pet supplements brands in the US, continued to grow in the Amazon channel and rapidly expand 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. While these earlier expansions created a high-base effect for this year, which pushed down the brand's top-line growth rate into the low double-digits, Zesty Paws' broad consumer base and stable market share will continue to drive its future profitable growth.

Meanwhile, sales of Solid Gold in North America increased slightly amid ongoing channel optimisation and portfolio premiumisation efforts aimed at driving the long-term growth of the brand. As of 30 June 2024, Zesty Paws and Solid Gold were present in more than 18,000 stores and 4,800 stores, respectively, across the US.

⁹ According to research statistics by Kantar Worldpanel, an independent research company, market share data for the past twelve months ended 30 June 2024.

¹⁰ According to research statistics by GERS, an independent research company, market share data for the past twelve months ended 30 June 2024.

In mainland China, we are undertaking a similar strategy, with sales of PNC segment declining by 14.8% in the first half of the year as we premiumise the brand through channel optimisation and reallocate resources into categories with higher margins to improve profitability. One notable example was the launch of Solid Gold fish oil in March 2024, which has allowed us to tap a higher-value section of the market. Amidst the restructuring, Solid Gold maintained its No. 2 position in mainland China's online premium cat dry food category¹¹, with distribution reaching over 10,000 pet stores and pet hospitals in the offline Chinese market as of 30 June 2024.

OPTIMISING OUR CAPITAL STRUCTURE

In the first half of 2024, we undertook several important steps to diversify our sources of funding, reduce our leverage and optimise our capital structure. This included successfully completing a RMB bond tap of RMB500 million and a USD bond tap of USD120 million, and voluntarily prepaying USD235 million of our existing USD term loan. We also obtained substantial credit commitments in the form of RMB and USD loans ahead of the refinancing of the existing USD term loan.

In July 2024, we completed a CNH term loan facility drawdown equivalent to USD150 million, and we further voluntarily prepaid USD168 million of our existing USD term loan. The two voluntary prepayments reduced the outstanding balance to USD581 million, which is scheduled to mature in June 2025. Further, we obtained commitments from several Chinese and international banks for a USD560 million refinancing facility to be drawn in the near future.

The successful refinancing keeps us on the steady path of reducing net leverage and effectively managing risk on our balance sheet. As of 30 June 2024, our cash balance stood at RMB2.4 billion, reflecting the healthy level of cash conversion inherent across our business. We remain on track to deleverage our balance sheet in the coming years and well-positioned to cope with greater exchange rate fluctuations and a higher interest rate environment.

¹¹ According to research statistics by SmartPath, an independent research company, market share data for the past twelve months ended 30 June 2024.

OUTLOOK: STABLE TOP-LINE GROWTH AND PROFITABILITY AMID CONTINUOUS DELEVERAGING

As we head into the second half of 2024, we will continue to drive the growth of our high-margin fast-growing nutritional supplements across our regions. This will continue to drive similar double-digit growth levels in our ANC business, especially in mainland China and Asian markets, as growth in the ANZ market normalises.

Within our BNC business, the growth of our innovated nutritional supplements products and a weakening base effect will help our paediatric probiotic and nutritional supplements return to growth, helping to offset some of the ongoing weakness in our IMF business, which will now likely see a continued sales decline in the second half of the year amid market-wide high channel inventory levels and aggressive promotional activities amidst contracting market.

For our PNC business, we will continue to expand Zesty Paws' market position in North America, while continuing to pursue expansion opportunities in the UK, Europe and Asia. Meanwhile, the short-term performance of Solid Gold will continue to be impacted by the continued optimisation of its product portfolio and channel in North America and mainland China, which the restructuring of business is expected to be completed in 2024.

In addition to these operational trends, we had successfully completed the major refinancing exercises planned for 2024. We expect to see a continued gradual deleveraging trend in our net leverage ratio through to the end of the year. With our high cash generating business model, we are also confident about our ability to further improve our balance sheet over the next two years.

ACKNOWLEDGEMENTS

On 1 October 2024, we will undertake the first scheduled alternation of CEO of the Group, a position currently held by Mr. Akash Bedi, regional CEO of North America, Europe, Middle East and India, who sits alongside myself, the chief financial and operating officer and the chief people officer in the Group's CEO Office. On this date, Mr. Nick Mann, regional CEO of Asia, Australia and New Zealand will take Mr. Bedi's place as CEO of the Group for a period of nine months.

I would like to thank Mr. Bedi for his leadership and insight over the first nine months of our new rotating CEO arrangement and look forward to having him back at the helm soon. At the same time, I look forward to the fresh perspectives and experience that Mr. Mann will bring to the CEO Office during his upcoming nine-month tenure as CEO of the Group.

Looking ahead to the rest of 2024, I am optimistic about our prospects and our ability to further build on the achievements we have realised already this year. I am also confident that we will continue to deliver for all our stakeholders, while helping people all around the world become healthier and happier.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

Revenue

For the six months ended 30 June 2024, the Group's revenue decreased by 4.1% on reported basis or 4.5% on a like-for-like¹ (“LFL”) basis to RMB6,692.1 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. Revenue from high-margin and fast-growing nutritional supplements² across all of the Group's three business segments achieved year-on-year growth of 5.0% on a LFL basis and contributed to 66.1% of the Group's total revenue for the six months ended 30 June 2024.

	Six months ended 30 June				2024 % to revenue	2023 % to revenue
	2024 RMB million	2023 RMB million	Reported Change	LFL Change		
Revenue by product segment						
Nutritional Supplements	4,425.2	4,192.3	5.6%	5.0%	66.1%	60.1%
– VHMS products	3,258.2	2,876.7	13.3%	13.0%	48.7%	41.2%
– Paediatric probiotic and nutritional supplements	508.6	743.6	-31.6%	-31.6%	7.6%	10.7%
– Pet supplements	658.4	572.0	15.1%	12.3%	9.8%	8.2%
Infant formulas	1,798.4	2,213.7	-18.8%	-18.8%	26.9%	31.7%
Others ³	468.5	574.8	-18.5%	-19.2%	7.0%	8.2%
Revenue by business segment						
Adult nutrition and care products	3,275.6	2,938.2	11.5%	11.2%	49.0%	42.1%
Baby nutrition and care products	2,431.5	3,115.9	-22.0%	-22.0%	36.3%	44.6%
Pet nutrition and care products	985.0	926.7	6.3%	4.1%	14.7%	13.3%
Revenue by geography						
Mainland China	4,541.4	5,076.1	-10.5%	-10.5%	67.9%	72.7%
ANZ	975.9	829.6	17.6%	16.9%	14.6%	11.9%
North America	815.8	736.5	10.8%	8.1%	12.2%	10.6%
Other territories	359.0	338.6	6.0%	5.6%	5.3%	4.8%
Total	6,692.1	6,980.8	-4.1%	-4.5%	100.0%	100.0%

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

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

³ Others include pet food from Solid Gold, baby food and snacks from Good Goût, baby accessories from Dodie and other skincare products.

Mainland China: Narrowed decline in BNC segment offsets stable growth in ANC segment

Revenue from mainland China recorded an year-on-year decrease of 10.5% to RMB4,541.4 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. On reported basis, revenue from mainland 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 last year.

Revenue from ANC segment in mainland China maintained a stable growth of 8.8% as compared with the same period of last year, 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 mainland China market. For the twelve months ended 30 June 2024, Swisse continued to maintain its No.1 position in mainland China's online VHMS market with a market share of 7.9%⁴.

In BNC segment of mainland 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 last year. Within BNC segment, the revenue from IMF in mainland 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 Q1 to Q2 2024. The decrease mainly resulted from (i) the ongoing systemic challenges faced by the entire IMF industry in mainland 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, the Group recorded revenue from paediatric probiotic and nutritional supplements in mainland 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 last year. However, the decline was partially offset by the strong sales growth of paediatric nutritional supplements, thanks 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. According to Kantar, Biostime is the No. 1 paediatric probiotics in mainland China⁵.

⁴ According to research statistics by Early Data, an independent data provider, market share data for the past twelve months ended 30 June 2024.

⁵ According to research statistics by Kantar Worldpanel, an independent research company, market share data for the past twelve months ended 30 June 2024.

Revenue from PNC segment in mainland China declined by 14.8% to RMB174.3 million for the six months ended 30 June 2024 as compared with the same period of last year. The decline was mainly due to the product portfolio premiumisation and channel optimisation exercises to drive long-term profitability. Amidst the restructuring, Solid Gold maintained its No. 2 position in mainland China's online premium cat dry food category⁶, with distribution reaching over 10,000 pet stores and pet hospitals in the offline Chinese market as of 30 June 2024. As of 30 June 2024, the Group has obtained 40 product licenses issued by Ministry of Agriculture in mainland China, which supported the growth in the normal trade channel.

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

On a LFL basis, revenue from ANZ market increased by 16.9% year-on-year to AUD207.3 million 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%⁷; and (iii) the strong corporate daigou sales growth. Swisse maintained its No. 1 position in the overall Australian VHMS market⁸.

North America: Positive growth across both PNC brands

For the six months ended 30 June 2024, revenue contributed from North America reached a growth of 8.1% year-on-year on a LFL basis, 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% on a LFL basis for the six months ended 30 June 2024, thanks 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% on a LFL basis for the six months ended 30 June 2024 as compared with the same period of last year. 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.

⁶ According to research statistics by SmartPath, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁷ According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 30 June 2024.

⁸ Based on total market unit sales, according to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 30 June 2024.

Other territories: Strong growth momentum continued in expansion markets

Revenue contributed from other territories increased by 5.6% on a LFL basis for the six months ended 30 June 2024 as compared with the same period of last year. 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, representing an decrease of 4.5% as compared with the same period of last year. 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 thanks 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 PNC segment decreased from 47.0% in the first half of 2023 to 46.5% in the same period of this year. Excluding the one-time stock write-off and provision of RMB44.3 million 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 PNC segment increased from 47.0% for the six months ended 30 June 2023 to 51.0% for the six months ended 30 June 2024. 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 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 costs

Excluding depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets (“D&A”), selling and distribution costs increased 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 unfavourable impact from the double-digit decline of the BNC segment sales.

ANC

Selling and distribution costs of ANC business amounted to RMB1,208.8 million for the six months ended 30 June 2024, represented an increase of 10.7% as compared with the same period of last year. Selling and distribution costs of ANC business as a percentage of the Group’s revenue from ANC business decreased from 37.2% in the first half of 2023 to 36.9% in the first half of 2024, 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 from 29.7% in the first half of 2023 to 30.0% in the half of 2024. The selling and distribution costs other than advertising and marketing expense of ANC business as a percentage to its revenue decreased from 7.5% in the first half of 2023 to 6.9% in the first half of 2024 resulting from the continuing measures taken in all markets especially in mainland China and ANZ to improve the spending efficiency.

BNC

Selling and distribution costs of BNC business amounted to RMB952.5 million for the six months ended 30 June 2024, represented a decrease of 11.9% as compared with the same period of last year. Selling and distribution costs of BNC business as a percentage of the Group’s revenue from BNC business increased from 34.7% in the first half of 2023 to 39.2% in the first half of 2024, 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 from 10.5% in the first half of 2023 to 12.7% in the first half of 2024. Selling and distribution costs other than advertising and marketing expense of BNC business as a percentage of revenue increased to 26.5% in the first half of 2024 from 24.2% of the same period of last year 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 last year.

PNC

Selling and distribution costs of PNC business increased by 10.3% to RMB403.4 million for the six months ended 30 June 2024, as compared with the same period of last year. Selling and distribution costs of PNC business as a percentage of its revenue increased from 39.5% for the six months ended 30 June 2023 to 41.0% for the same period of 2024, mainly due to the increased investment in channel expansion.

Advertising and marketing expense of PNC business as percentages of its revenue decreased from 13.7% for the six months ended 30 June 2023 to 12.4% for the six months ended 30 June 2024. The selling and distribution costs other than advertising and marketing expense of PNC business as a percentage to its revenue increased from 25.8% in the first half of 2023 to 28.6% in the first half of 2024. 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 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. Other expenses mainly included research and development (“**R&D**”) expenditure of RMB104.0 million, net foreign exchange losses of RMB40.9 million and others.

During the period under review, R&D expenditure increased by 22.5% as compared with the same period of last year, which was mainly attributable to the Group's determination for continued investment in product innovation. R&D expenditure as a percentage of the Group's revenue increased from 1.2% 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.

EBITDA and Adjusted EBITDA

Adjusted EBITDA decreased by 13.0% to RMB1,139.8 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 18.8% for the six months ended 30 June 2023 to 17.0% 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.

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

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
EBITDA	1,098.4	1,397.9
Reconciled by:		
Non-cash items*:		
(1) Net foreign exchange losses/(gains)	40.9	(49.3)
(2) Net fair value gains on financial instruments	(59.1)	(25.2)
(3) Gain on partial repurchase of senior notes	–	(13.9)
(4) Share of losses of associates	12.7	–
Non-recurring items*:		
(5) One-time restructuring costs in relation to the product portfolio premiumisation and channel optimisation exercises for Solid Gold business in North American market	46.9	–
Adjusted EBITDA	1,139.8	1,309.5

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

Finance costs

During the six months ended 30 June 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 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. As the Group has entered into certain cross currency swaps and cross currency interest rate swaps to hedge its interest rate risk and foreign currency risk, respectively, the normalized interest on the interest-bearing bank loans, senior notes and guaranteed bonds was RMB328.9 million for the six months ended 30 June 2024, increased by 4.6% from RMB314.3 million for the same period of last year. The implied annual interest expense margin⁹ (including the benefit of the above-mentioned hedges) was 7.07% for the six months ended 30 June 2024.

On a reported basis, 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 last year mainly due to the increased base rate following the US Federal Reserve's rate hike, higher coupon rate on the new senior notes due 2026 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 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.

⁹ The implied annual interest expense margin is calculated by dividing the annualised normalised interest expense including the benefit of hedge arrangements for the six months ended 30 June 2024 by the outstanding principal as of 30 June 2024 being converted to RMB with a consensus FX rates as the debts' drawdown dates.

Net profit and Adjusted net profit

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

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
Net profit	305.8	608.0
Reconciled by:		
EBITDA adjusted items as listed above	41.4	(88.4)
Non-cash items*:		
One-off transaction costs, net of gain on exchange of senior notes	–	28.3
One-off amortized gain of interest rate swap for previous term loan	–	(34.5)
Adjusted net profit	347.2	513.4

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

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the six months ended 30 June 2024, the Group recorded net cash generated from operating activities of RMB1,052.5 million, resulting from pre-tax cash from operations of RMB1,224.4 million, minus income tax paid of RMB171.8 million. Pre-tax cash flows mainly benefited from the healthy Adjusted EBITDA and the positive impact from change in working capital. The inventories, net of write-down of inventories to net realisable value, decreased RMB487.0 million mainly attributable to the new GB product launches since the end of last year 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.

Investing activities

For the six months ended 30 June 2024, net cash flows from investing activities amounted to RMB8.4 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.

Financing activities

For the six months ended 30 June 2024, net cash flows used in financing activities amounted to RMB86.7 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.

Cash and bank balances

As of 30 June 2024, cash and cash equivalents and structured deposits as stated in the interim condensed consolidated statement of financial position amounted to RMB2,429.1 million.

Borrowings

As of 30 June 2024, the Group's outstanding carrying amount of its borrowings amounted to RMB9,503.1 million, including current portion of RMB5,707.2 million. The carrying amount of borrowings included (i) RMB6,987.7 million of interest-bearing bank loans, including current portion of RMB5,544.6 million; (ii) RMB2,112.7 million of senior notes, including current portion of RMB152.1 million; and (iii) RMB402.7 million of guaranteed bonds, including current portion of RMB10.4 million.

The Group's gearing ratio decreased from 47.2% as of 30 June 2023 to 46.7% as of 30 June 2024, calculated by dividing the sum of the carrying amount of the borrowings by total assets. As of 30 June 2024, the net leverage ratio decreased from 3.42x as of 31 December 2023 to 3.36x, calculated as the following table:

	30 June 2024	31 December 2023
	<i>RMB million</i>	<i>RMB million</i>
Gross debt ¹⁰	9,304.2	8,933.7
Less: Cash and cash equivalents and structured deposits	2,429.1	1,364.3
Net debt	6,875.1	7,569.4
Divided by: Adjusted EBITDA ¹¹	2,045.8	2,215.5
Net leverage ratio	3.36x	3.42x

Working capital

Advance payment is normally required for the sale in mainland China, except for limited circumstances. The Group usually allows credit sales in overseas markets outside mainland China, with average credit terms ranging from 30 to 60 days from the end of month. The Group's suppliers generally grant a credit period of between 30 and 90 days.

The Group seeks to maintain strict controls over outstanding receivables and creditors to minimize credit risk. The average turnover days for trade and bills receivables increased from 22 days for the six months ended 30 June 2023 to 28 days for the six months ended 30 June 2024, mainly due to the higher revenue contribution from credit sales in overseas markets outside mainland China. The average turnover days of trade payables decreased from 77 days for the six months ended 30 June 2023 to 70 days for the six months ended 30 June 2024, mainly due to the different cut-off days.

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 last year. 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.

¹⁰ The gross debt as of 30 June 2023 and 2024 are calculated with the outstanding principal of debt instruments being converted to RMB with a consensus FX rates as the debt drawdown date.

¹¹ Adjusted EBITDA for the twelve months ended 30 June 2024 and the year ended 31 December 2023.

INTERIM DIVIDEND

After taking full consideration of the Group's financial position, net cash flow and capital expenditures, the Board has resolved to declare an interim dividend of HKD0.30 per ordinary share, representing approximately 50.0% of the Group's Adjusted net profit for the period of six months ended 30 June 2024. The interim dividend will be paid on or about Tuesday, 15 October 2024 to the shareholders whose names appear on the register of members of the Company on Monday, 16 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 September 2024 to Monday, 16 September 2024, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 11 September 2024.

SIGNIFICANT BUSINESS DEVELOPMENT AFTER THE END OF THE REPORTING PERIOD

On 1 July 2024, the Group also obtained a commitment letter in relation to certain refinancing facility in the aggregate amount of USD560 million. As part of the Group's proactive management of its debt maturity profile, on 16 July 2024, the Group further prepaid USD168 million of its existing USD term loan which was scheduled to mature in June 2025. This repayment reduced the outstanding balance of the Group's existing USD term loan to USD581 million. These initiatives have supported the Group's refinancing and the optimisation of its capital structure.

CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company has complied with all the code provisions contained in the CG Code for the six months ended 30 June 2024.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the Company Code and the Model Code during the six months ended 30 June 2024.

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

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the six months ended 30 June 2024.

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

AUDIT COMMITTEE

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

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors; reviewing the interim and annual reports and accounts of the Group; and overseeing the Group’s financial reporting system, internal control system and risk management system and associated procedures.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this interim results announcement complies with Appendix D2 of the Listing Rules. The Audit Committee has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the interim report and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024.

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have not been audited but have been reviewed by the Company’s independent auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” by the Hong Kong Institute of Certified Public Accountants.

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

During the six months ended 30 June 2024, with a view to reducing financing cost and optimising capital structure, the Company has in aggregate redeemed USD53,352,000 in principal amount of the 5.625% senior notes due 2024 (the “**Redemption Principal Amount**”) at the redemption price equal to 100% of the Redemption Principal Amount, plus accrued and unpaid interest. Upon completion of this redemption, none of the 5.625% senior notes due 2024 remained in issue.

The Company also repurchased on market RMB89,500,000 in principal amount of the 7.5% guaranteed bonds due 2027, representing approximately 17.9% of the outstanding principal amount of the 7.5% guaranteed bonds due 2027.

Save as disclosed above, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is also published on the websites of the Company (www.hh.global) and the Stock Exchange (www.hkexnews.hk). The interim report for the six months ended 30 June 2024 containing all the information required by Appendix D2 to the Listing Rules will be despatched to the shareholders of the Company (if requested) and available on the above websites in due course.

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

Hong Kong, 27 August 2024

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