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 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017	2016	% of Change
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Revenue	**3,551,415**	3,008,304	18.1%
Gross profit	**2,315,688**	1,928,108	20.1%
Earnings before interest, tax, depreciation and amortization ("**EBITDA**")	**1,003,987**	949,948	5.7%
Adjusted EBITDA*	**1,061,794**	849,016	25.1%
Profit for the period	**396,630**	404,892	-2.0%
Net cash flows generated from operating activities	**776,310**	551,440	40.8%
Basic earnings per share	**RMB0.64**	RMB0.57	12.3%

* Adjusted EBITDA = EBITDA – net foreign exchange gains – fair value gains on derivative financial instruments + fair value losses on derivative financial instruments + one-time expense paid to the original shareholders of Swisse on some tax refund

For the six months ended 30 June 2017, the Group recorded the following:

- Revenue amounted to RMB3,551.4 million, representing an increase of RMB543.1 million or 18.1% from RMB3,008.3 million in the corresponding period of 2016.
- Gross profit amounted to RMB2,315.7 million, representing an increase of RMB387.6 million or 20.1% from RMB1,928.1 million in the corresponding period of 2016.
- EBITDA amounted to RMB1,004.0 million, representing an increase of RMB54.1 million, or 5.7% from RMB949.9 million in the corresponding period of 2016.
- Adjusted EBITDA amounted to RMB1,061.8 million, representing an increase of RMB212.8 million, or 25.1% from RMB849.0 million in the corresponding period of 2016.
- Profit for the period amounted to RMB396.6 million, representing a decrease of RMB8.3 million or 2.0% from RMB404.9 million in the first half of 2016.
- Net cash flows generated from operating activities amounted to RMB776.3 million, representing an increase of RMB224.9 million or 40.8% from RMB551.4 million in the corresponding period of 2016.
- Basic earnings per share increased from RMB0.57 in the corresponding period of 2016 to RMB0.64, representing an increase of 12.3%.

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 2017, together with the comparative figures for the corresponding period in 2016, as follows:

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

Six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**3,551,415**	3,008,304
Cost of sales		**(1,235,727)**	(1,080,196)
Gross profit		**2,315,688**	1,928,108
Other income and gains	*5*	**111,242**	137,473
Selling and distribution costs		**(1,072,163)**	(954,704)
Administrative expenses		**(219,620)**	(165,362)
Other expenses		**(195,903)**	(52,517)
Finance costs		**(306,056)**	(228,389)
Share of losses of an associate		**(25)**	(2,858)
PROFIT BEFORE TAX	*6*	**633,163**	661,751
Income tax expense	*7*	**(236,533)**	(256,859)
PROFIT FOR THE PERIOD		**396,630**	404,892

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to 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	**(107,805)**	–
Reclassification adjustment for gain included in profit or loss	**84,198**	–
Income tax effect	**7,082**	–
Exchange realignment	**(82)**	–
	(16,607)	–
Hedge on net investment:		
Effective portion of changes in fair value of hedging instruments arising during the period	**(30,850)**	–
Exchange differences on translation of foreign operations	**(14,652)**	46,166
Exchange differences on net investment in a foreign operation	**267,501**	92,090
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**205,392**	138,256
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**602,022**	543,148

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the parent		401,230	356,909
Non-controlling interests		(4,600)	47,983
		396,630	404,892
Total comprehensive income attributable to:			
Owners of the parent		592,137	480,549
Non-controlling interests		9,885	62,599
		602,022	543,148
		RMB	RMB
		(Unaudited)	*(Unaudited)*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**0.64**	0.57
Diluted		**0.63**	0.56

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**512,799**	531,197
Prepaid land lease payments		**59,549**	60,287
Goodwill		**5,497,390**	5,296,618
Intangible assets		**3,077,856**	3,013,432
Bonds receivable		**135,440**	127,701
Loans receivable		**34,670**	48,789
Deposits		**6,743**	5,662
Investment in an associate		**35,168**	35,193
Loan to an associate		**40,000**	40,000
Held-to-maturity investment		**19,552**	18,435
Deferred tax assets		**310,556**	352,973
Derivative financial instruments	*12*	**90,283**	246,751
Total non-current assets		**9,820,006**	9,777,038
CURRENT ASSETS			
Inventories		**899,654**	775,983
Trade and bills receivables	*10*	**602,646**	516,624
Prepayments, deposits and other receivables		**96,698**	610,004
Loans receivable		**37,171**	27,084
Derivative financial instruments	*12*	**5,635**	2,914
Pledged deposits		**16,064**	995,498
Cash and cash equivalents		**1,933,329**	1,506,203
Total current assets		**3,591,197**	4,434,310
CURRENT LIABILITIES			
Trade and bills payables	*11*	**612,018**	532,121
Other payables and accruals		**1,057,361**	864,872
Derivative financial instruments	*12*	**–**	3,074
Interest-bearing bank loans		**479,739**	549,387
Convertible bonds		**–**	1,223,619
Senior notes		**294,685**	201,171
Financial liabilities associated with put options	*13*	**–**	1,561,387
Tax payable		**211,758**	303,902
Total current liabilities		**2,655,561**	5,239,533
NET CURRENT ASSETS/(LIABILITIES)		**935,636**	(805,223)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,755,642**	8,971,815

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2017

	Note	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Restated)
NON-CURRENT LIABILITIES			
Senior notes		**3,779,817**	2,542,703
Interest-bearing bank loans		**2,167,441**	2,242,791
Other payables and accruals		**20,748**	23,175
Derivative financial instruments	*12*	**64,608**	–
Deferred tax liabilities		**957,901**	967,042
Total non-current liabilities		**6,990,515**	5,775,711
Net assets		**3,765,127**	3,196,104
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**5,413**	5,390
Equity component of convertible bonds		**–**	24,489
Other reserves		**3,758,766**	3,131,627
		3,764,179	3,161,506
Non-controlling interests		**948**	34,598
Total equity		**3,765,127**	3,196,104

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

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.

Pursuant to the special resolution passed at the annual general meeting of the Company held on 12 May 2017 and the approval from the Registry of Companies in the Cayman Islands, the name of the Company was changed from "Biostime International Holdings Limited 合生元國際控股有限公司" to "Health and Happiness (H&H) International Holdings Limited 健合 (H&H) 國際控股有限公司".

Prior to the acquisition of an approximate 83% equity interest in Swisse Wellness Group Pty Ltd. ("**Swisse**") and its subsidiaries on 30 September 2015 (the "**Acquisition**"), the Company and its subsidiaries (the "**Group**") was principally involved in the manufacture and sale of premium pediatric nutritional and baby care products. Upon the completion of the Acquisition, the Group has expanded its businesses into the production and sale of adult nutrition supplements and skincare products. The Acquisition has enabled the Group to reposition itself as an all-round premium family nutrition and care provider.

On 7 February 2017, the Group acquired the remaining 17% effective equity interest in Swisse via the acquisition of the same percentage equity interest in Biostime Healthy Australia Holdings Pty Ltd. ("**Biostime Australia Holdings**"), the intermediate holding company of Swisse, (the "**17% Acquisition**") at a cash consideration of 311,300,000 in Australian dollars ("**AUD**") (equivalent to approximately 1,633,359,000 in Renminbi ("**RMB**")). Since then, Swisse became a wholly-owned subsidiary of the Group. Further details of the 17% Acquisition have been contained in the Company's announcements on 15 December 2016 and 7 February 2017.

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

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 (the "**Period**") 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 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 2016, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") (which also include International Accounting Standards 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 2016.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the Period's financial statements:

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in Annual improvements 2014 – 2016 Cycle	*Disclosure of Interests in Other Entities*

The adoption of the above revised standards has had no significant financial effect on these interim condensed financial statements of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. The Group has three 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 adult nutrition and care products segment comprises the production of vitamins, health supplements, skin care and sports nutrition products for adults; and

(c) other pediatric products segment comprises the production of probiotic supplements, dried baby food and nutrition supplements and baby care products.

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

Operating segment information for the six months ended 30 June 2017 (Unaudited):

	Infant formulas *RMB'000*	Adult nutrition and care products *RMB'000*	Other pediatric products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**1,661,255**	**1,465,950**	**424,210**	**–**	**3,551,415**
Segment results	**1,134,510**	**877,509**	**303,669**	**–**	**2,315,688**
Reconciliations:					
Interest income					**20,905**
Other income and unallocated gains					**90,337**
Share of loss of an associate					**(25)**
Corporate and other unallocated expenses					**(1,487,686)**
Finance costs					**(306,056)**
Profit before tax					**633,163**
Other segment information:					
Depreciation and amortisation	**93**	**48,724**	**5,371**	**31,485**	**85,673**
Impairment of trade receivables	**–**	**285**	**–**	**–**	**285**
Write-down of inventories to net realisable value	**22,862**	**21,144**	**5,699**	**–**	**49,705**
Capital expenditure*	**1,128**	**13,130**	**5,422**	**2,603**	**22,283**

Operating segment information for the six months ended 30 June 2016 (Unaudited):

	Infant formulas *RMB'000*	Adult nutrition and care products *RMB'000*	Other pediatric products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**1,460,490**	**1,284,010**	**263,804**	**–**	**3,008,304**
Segment results	**957,182**	**801,196**	**169,730**	**–**	**1,928,108**
Reconciliations:					
Interest income					**29,342**
Other income and unallocated gains					**108,131**
Share of loss of an associate					**(2,858)**
Corporate and other unallocated expenses					**(1,172,583)**
Finance costs					**(228,389)**
Profit before tax					**661,751**
Other segment information:					
Depreciation and amortisation	**1,420**	**46,916**	**2,588**	**38,226**	**89,150**
Impairment of trade receivables	**–**	**346**	**–**	**–**	**346**
Write-down of inventories to net realisable value	**53,387**	**18,174**	**7**	**–**	**71,568**
Capital expenditure*	**5,244**	**26,647**	**8,382**	**1,188**	**41,461**

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June 2017 *RMB'000* (Unaudited)	2016 *RMB'000* (Unaudited)
Mainland China	**2,359,266**	1,863,413
Australia	**1,000,574**	1,063,154
Other locations#	**191,575**	81,737
	3,551,415	3,008,304

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

(b) Non-current assets

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Restated)
Mainland China	**618,983**	621,752
Australia	**2,953,636**	2,887,575
Others#	**119,496**	136,444
	3,692,115	3,645,771

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

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns, rebates and trade discounts (net of value-added tax and goods and services tax) during the Period.

An analysis of the revenue, other income and gains is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**3,551,415**	3,008,304
Other income and gains		
Bank interest income	**15,167**	24,183
Interest income from loans and bonds receivables	**5,738**	5,159
Service income	**–**	307
Foreign exchange gains	**50,988**	91,285
Fair value gains on derivative financial instruments	**33,202**	9,647
Government subsidies*	**3,650**	3,865
Others	**2,497**	3,027
	111,242	137,473

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

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold#	**1,186,022**	1,008,628
Depreciation	**35,989**	41,062
Amortisation of intangible assets	**48,946**	47,350
Amortisation of prepaid land lease payments	**738**	738
Loss on disposal of items of property, plant and equipment	**579**	3,240
Employee benefit expenses:		
Wages and salaries	**396,190**	395,400
Pension scheme contributions (defined contribution schemes)	**50,884**	43,478
Staff welfare and other expenses	**21,900**	6,652
Equity-settled share option expense	**5,889**	18,783
Equity-settled share award expense	**14,137**	14,375
	489,000	478,688
Foreign exchange differences, net*	**(50,988)**	(91,285)
Fair value losses/(gains) on derivative financial instruments, net	**73,935**	(9,647)
Impairment of trade receivables**	**285**	346
Write-down of inventories to net realisable value#	**49,705**	71,568
Loss on redemption/repurchase of convertible bonds	**13,322**	17,688

* Included in "Other income and gains" in profit or loss.

** Included in "Other expenses" in profit or loss.

\# Included in "Cost of sales" in profit or loss.

7. INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Charge for the period		
Mainland China	**194,262**	58,685
Hong Kong	**4,565**	5,660
Australia	**38,287**	152,523
Elsewhere	**(9,748)**	3,250
Deferred	**9,167**	36,741
Total tax charge for the period	**236,533**	256,859

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 2016: 25%) on the taxable profits for the Period, based on the existing legislation, interpretations and practices in respect thereof.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

Australia corporate income tax

Australia corporate income tax has been provided at the rate of 30% (six months ended 30 June 2016: 30%) on the estimated assessable profits arising in Australia.

Tax consolidation legislation

Biostime Healthy Australia Pty Ltd. ("**Biostime Australia**"), Biostime Australia Holdings, Biostime Healthy Australia Investment Pty Ltd. ("**Biostime Australia Investment**"), Swisse and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Biostime Australia, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Biostime 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 controlled entities in the tax consolidated group.

The entities have also entered into a tax funding arrangement under which the wholly-owned entities fully compensate Biostime Australia for any current tax payable assumed and are compensated by Biostime Australia for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Biostime Australia under the 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 period. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

8. DIVIDEND

No interim dividend was proposed during the Period (six months ended 30 June 2016: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 629,327,032 (six months ended 30 June 2016: 626,867,751) in issue during the Period.

The calculation of the diluted earnings per share amount 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 or conversion of all dilutive potential ordinary shares into ordinary shares under the share option schemes and the share award schemes. As the conversion or exercise of the convertible bonds would have an antidilutive effect on earnings per share, the calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares of the convertible bonds.

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**401,230**	356,909
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	**632,467,772**	630,284,526
Weighted average number of shares held for the share award schemes	**(3,140,740)**	(3,416,775)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**629,327,032**	626,867,751
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	**8,369,791**	10,602,390
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**637,696,823**	637,470,141

10. TRADE AND BILLS RECEIVABLES

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade receivables	**558,967**	498,043
Bills receivable	**48,293**	36,103
	607,260	534,146
Less: Impairment provision	**(4,614)**	(17,522)
	602,646	516,624

Advance payment is normally required for sales of the baby nutrition and care products except in limited circumstances for credit sales. Credit sales are usually allowed for the adult nutrition and care products with credit terms of 30 to 60 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 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 aged analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 1 month	**529,831**	434,166
1 to 3 months	**66,200**	79,610
Over 3 months	**6,615**	2,848
	602,646	516,624

11. TRADE AND BILLS PAYABLES

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade payables	**595,954**	524,459
Bills payable	**16,064**	7,662
	612,018	532,121

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

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 1 month	**406,209**	411,358
1 to 3 months	**195,071**	112,389
Over 3 months	**10,738**	8,374
	612,018	532,121

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

		30 June 2017		31 December 2016	
		Assets	**Liabilities**	Assets	Liabilities
	Notes	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
		(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Current					
Conversion option embedded in a loan receivable		**2,846**	**–**	2,914	–
Forward currency contracts		**2,789**	**–**	–	3,074
		5,635	**–**	2,914	3,074
Non-current					
Early redemption option embedded in the senior notes	*(a)*	**80,604**	**–**	55,509	–
The Swaps (as defined below)	*(b)*	**–**	**39,515**	68,957	–
The CCSs (as defined below)	*(c)*	**9,679**	**25,093**	122,285	–
		90,283	**64,608**	246,751	–

Notes:

(a) An early redemption option which is embedded in the senior notes issued on 21 June 2016 was separately recognised. The fair value of the early redemption option as at 30 June 2017 was RMB80,604,000 (31 December 2016: RMB55,509,000). A fair value gain of RMB27,231,000 was recognised in profit or loss for the Period (six months ended 30 June 2016: Nil).

(b) A subsidiary of the Group entered into interest rate swap, cross currency swap and cross currency interest rate swap agreements (collectively the "**Swaps**") with financial institutions with an aggregate notional amount of USD239,500,000 for the purpose of hedging the foreign currency risk and interest rate risk in relation to a United States dollar ("**USD**") denominated floating rate bank borrowing.

As at 30 June 2017, fair value of the Swaps designated for hedge purposes amounted to RMB39,515,000 (negative) (31 December 2016: RMB68,957,000).

The terms of the Swaps have been negotiated to match the terms of that bank borrowing. The cash flow hedge relating to the expected interest and principal payments were assessed to be highly effective. A net loss of RMB16,607,000 (six months ended 30 June 2016: Nil) was included in the hedging reserve as follows and a net loss of the ineffective portion of RMB3,320,000 was charged to profit or loss.

	Six months ended 30 June 2017 ***RMB'000*** **(Unaudited)**
Total fair value losses included in the hedging reserve	**107,805**
Deferred tax on fair value losses	**(32,342)**
Reclassified from other comprehensive income and recognised in profit or loss	**(84,198)**
Deferred tax on reclassification to profit or loss	**25,260**
Exchange realignment	**82**
Net losses on cash flow hedges	**16,607**

(c) The Company also entered into certain cross currency swap agreements ("**CCSs**") with financial institutions with an aggregate notional amount of RMB2,026,210,000 for the purpose of managing the foreign currency risk of its investments in foreign operation.

During the Period, CCSs with an aggregate notional amount of RMB1,512,085,000 are designated as hedging instruments for hedges of a net investment in foreign operation which are accounted for in a similar way to cash flow hedges. Gains or losses on those CCSs relating to the effective portion of the hedges are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. The remaining CCSs which did not qualify as hedging instruments are measured at fair value with any gains or losses arising from their changes in fair value taken directly to profit or loss.

The fair value of these CCSs as at 30 June 2017 was RMB15,414,000 (negative) (31 December 2016: RMB122,285,000). Net loss of RMB103,813,000 arising from the changes in fair value of the CCSs was charged to profit or loss and a net loss on net investment hedge of RMB30,850,000 was included in hedging reserve, respectively.

13. FINANCIAL LIABILITIES ASSOCIATED WITH PUT OPTIONS

In contemplation with the Acquisition, the following three wholly-owned investment holding companies were set up by the Company during the year ended 31 December 2015:

– Biostime Australia Investment;

– Biostime Australia Holdings, the immediate holding company of Biostime Australia Investment; and

– Biostime Australia, the immediate holding company of Biostime Australia Holdings.

Biostime Australia Investment entered into a roll-up call option deed (the "**Roll-Up Call Option Deed**") with the non-controlling shareholders of Swisse (the "**Non-controlling Shareholders**") simultaneously with the entry into of the share sale agreement (the "**Share Sale Agreement**") dated 17 September 2015 in relation to the Acquisition. Under the Roll-Up Call Option Deed, Biostime Australia Investment has the right (the "**Roll-up Call Option**") to require the Non-controlling Shareholders to sell all of the shares they continue to hold in Swisse after the completion of the Acquisition in exchange for an issue of shares representing an equivalent stake in Biostime Australia Holdings within an agreed period.

Pursuant to the Share Sale Agreement, on completion of the exercise of the Roll-up Call Option, a put option (the "**Holdco Put Option**" or "**Holdco Put Options**" as appropriate) is to be granted to each of the Non-controlling Shareholders whereby each Non-controlling Shareholders is given the right to require Biostime Australia to buy all (but not some only) of its shares in Biostime Australia Holdings within an agreed period by giving a put option exercise notice. In the case of an exercise of the Holdco Put Option in the exercise period which immediately follows the third anniversary of the completion of the Acquisition, the fair market value of the relevant shares in Biostime Australia Holdings will be determined on the assumption that the financial indebtedness included in Swisse and its subsidiaries (the "**Swisse Group**") at such time is the lower of: (i) net debt of the Swisse Group as at the date of such valuation; and (ii) 2.0x times the Swisse Group's consolidated earnings before interest, tax, depreciation and amortisation in the 12 calendar months preceding the date of such valuation (the "**Financial Indebtedness Adjustment Clause**").

On 14 September 2016, the Roll-up Call Option was exercised and the Holdco Put Options were granted. Consequently, Biostime Australia Investment directly holds the entire share capital of Swisse whereas Biostime Australia and the Non-controlling Shareholders in aggregate hold approximately 83% and 17% equity interests in Biostime Australia Holdings, respectively.

Under current IFRSs, when the Holdco Put Option is granted, the Group is required to record a financial liability which is to be measured at the present value of the redemption amount. On initial recognition, the corresponding debit is made to put option reserve which is a component of equity attributable to owners of the parent. The financial liability is subsequently measured in accordance with IAS 39 *Financial Instruments*.

The directors have estimated that at the grant date of the Holdco Put Options, the redemption amount would be approximately AUD307,020,000 (equivalent to approximately RMB1,535,438,000), based on 17% of the business value of the Swisse Group as at that date. Accordingly, the Group recorded financial liabilities in respect of the Holdco Put Options of RMB1,535,438,000 as at 14 September 2016 with a corresponding debit to the put option reserve.

On 15 December 2016, the Group announced the 17% Acquisition at a cash consideration of AUD311,300,000 (equivalent to approximately RMB1,561,387,000). Accordingly, as at 31 December 2016, the Group has remeasured the financial liabilities associated with the Holdco Put Options to the consideration payable and charged the difference between the amounts as at the date of initial recognition and the year-end date to profit or loss.

On 7 February 2017, the Group completed the 17% Acquisition. Consequently, Biostime Australia Holdings and its subsidiaries became the wholly-owned subsidiaries of the Group. Hence, the financial liabilities associated with the Holdco Put Options were derecognised with corresponding credit to the put option reserve and other reserve.

14. COMPARATIVE AMOUNTS

The purchase price allocation for a business combination occurred in prior year has been completed during the Period. Certain comparative amounts have been restated to conform with the Period's presentation and accounting treatment.

BUSINESS REVIEW

During the first half of 2017, Health and Happiness (H&H) International Holdings Limited ("**H&H**" or the "**Company**") and its subsidiaries (collectively the "**Group**") completed the acquisition of the remaining 17% minority interest in Swisse Wellness Group Pty Ltd ("**Swisse**") and subsequently accelerated its integration plans by bringing all of its businesses together under a new Group name that reflects its new corporate mission, vision and positioning as an all-round premium nutrition and wellness provider, with two equally strategic segments: baby nutrition and care ("**BNC**") and adult nutrition and care ("**ANC**").

Stepping into a new phase of growth, the Group focused on premium nutrition and lifetime wellness consolidated its current business under four major brands, including Biostime™, Swisse™, Healthy Times™ and Dodie™. Under the new Group name with a shared vision, these four aspirational brands with superior products already enjoyed established market positions in Australia, New Zealand, China, France and the United States, and are quickly gaining recognition in other international markets.

During the first half of the year, the Group achieved strong revenue growth of 18.1% to RMB3,551.4 million, compared with the same period of last year, with the BNC and ANC businesses contributing approximately 58.7% and 41.3% of total revenue, respectively. Adjusted EBITDA during the period also increased by 25.1% to RMB1,061.8 million year-over-year. Net profit remained relatively stable at RMB396.6 million, compared with the corresponding period of last year, despite additional finance costs incurred for senior notes issued to complete the acquisition of the minority interest in Swisse in the first half of 2017.

Revenue derived from the BNC business increased by 20.9% during the first half of 2017, compared to the corresponding period of 2016, as the result of robust growth in both infant milk formula ("**IMF**") and probiotics supplements. The Group saw strong sales momentum for its premium and super premium IMF series, which grew 18.3% compared to same period of last year due to strong branding, overall market growth, consolidation and premiumization. In the first half of 2017, the IMF market in China showed some signs of recovery as the industry continued to respond to the new formula registration rules that will soon be imposed by the Chinese government. In particular, the level of competition in the market started to stabilise as small-scale brands exited the market, which resulted in less discounting and more rational pricing strategies – a development that will continue to benefit larger IMF players.

According to Nielsen, an independent market research company, the Group's share of the overall IMF market in China was 5.5% for the twelve months ended 30 June 2017. The market share of Biostime™, the Group's flagship IMF brand, increased slightly, while the share of mid-tier Adimil™ branded IMF products weakened compared to same period of last year. Consequently, the Group's overall market share was down slightly compared with 5.8% for the twelve months ended 30 June 2016.

The sales momentum of the Group's probiotics products segment remained strong with revenue growth of 72.9% compared to the corresponding period of 2016, as a result of rising demand due to heightened awareness in China of the benefits of probiotics, effective marketing initiatives, as well as introduction of high profile brand ambassador for the first time.

The Group's ANC business is led by its wholly-owned subsidiary Swisse, a leading provider of vitamin, herbal and mineral supplements ("**VHMS**") products. Despite the high base of the first four months in 2016 prior to the Cross-border Ecommerce ("**CBEC**") regulatory change in China, the ANC business still managed to grow 14.2% (5.7% on a currency-adjusted basis) during the six months under review compared to the corresponding period of 2016. The growth was mainly driven by strong sales momentum in the second quarter of 2017 in both the Chinese and Australian markets, as well as further clarity on the incoming CBEC regulation. This clarity was provided in a published statement by the Chinese regulator in March 2017, which stated that any commodities imported through CBEC should be considered as personal goods, therefore implying that they do not fall under the normal trade rules. As a result, sales of Swisse products realized through CBEC following the announcement, both in Australia and China, were strong and above the Group's original expectations. According to research statistics by IRI, an independent market research company, Swisse continued to retain its leading position in the Australian VHMS market with 15.8% market share for the twelve months ended 30 June 2017, which remained stable compared with 15.9% for the twelve months ended 31 March 2017.

In March 2017, Swisse entered into an international partnership agreement with the Scuderia Ferrari F1® Team, the most successful Formula 1 team in history. This partnership supported our growth in existing markets and its expansion into new markets by boosting brand awareness worldwide. Swisse also launched multiple consumer engagement campaigns across different markets, featuring its aspirational ambassadors, premium ingredients and proven products.

On 8 April 2017, the Group officially launched Swisse's normal trade business in China, leveraging new and existing nationwide retail network and starting with certain hero products such as Hair, Skin and Nails (HSN) and Cranberry Concentrate in liquid and effervescent forms. The Group believes that the expansion of Swisse's China business, both CBEC and normal trade, will strengthen Swisse's brand awareness among Chinese consumers and further broaden its customer base. Furthermore, following the official release of guidelines for filing of vitamin and mineral supplements by the China Food and Drug Administration ("**CFDA**") in May 2017, the Group has started to proceed with the related filing process in China, which will enable Swisse to sell a wider and more compelling range of products in the China market starting from next year.

To accelerate both its CBEC and normal trade businesses in China, the Group also invested significantly in sophisticated marketing campaigns and sponsorship activities, in partnership with major e-commerce platforms in China, which saw it successfully enhance brand awareness and drive consumer demand. These included:

- Super Brand Day Campaigns with Tmall.hk, JD.com, VIP.com and NetEase Kaola.com

- Live Show for 618 Promotional Campaign with JD.com

- Sponsorship of the Color Run™ in cities across China

Other than the major CBEC platforms mentioned above, the Group has also developed new strategic partnerships with vertical ecommerce platforms and social network based online retailers, such as xiaohongshu.com, kidswant.com, aiyingshi.com, among others, during the period. This has allowed the Group to further explore opportunities for sales growth while growing its brand presence online in China.

PROSPECTS

Looking ahead, the Group will continue to prioritise the integration of its four brands under its new mission and vision in order to further enhance their growth potential and extract more synergies and operational efficiencies, particularly in supply chain, distribution, research and innovation, finance, customer relationship management ("**CRM**"), corporate culture and personnel capability.

The Group anticipates great opportunities for sustainable growth within its BNC and ANC businesses, despite ongoing challenges posed by competition and regulatory changes. As the Chinese IMF market further consolidates, the Group will continue to step up its investment in branding and marketing activities, particularly for the Biostime™ brand, in order to strengthen its market positioning in the premium and super premium segment. The Group will also ramp-up its celebrity-endorsement activities following the recent appointment of Chinese actor, Liu Ye (劉燁) and French movie star, Juliette Binoche as Biostime™ new brand ambassadors. The Group has already applied to register five IMF series with the CFDA ahead of the effective date of the new IMF registration rules, and has already gained approval of four series from the CFDA, including existing premium and supreme series renamed ß-star and π-star series under the Biostime™ brand, organic series under the Healthy Times™ brand, as well as the Manle series under the Adimil™ brand. The Group expects that the remaining formula series submitted will fully meet the stringent requirements set by the authorities and will be approved within the second half of this year.

Subsequent to the announcement of the filing procedures for fast-tracked application for vitamin and mineral supplements, the government also released registration procedures for health food products in July 2017. In response, the Group has been subsequently preparing application documents for its functional food products in order to secure approval for Swisse to offer a more complete range of food supplements in China, paving the way for additional growth in the coming years.

To facilitate the expansion of the Swisse normal trade business and distribution of Swisse products in the China market, the Group will further leverage its existing nationwide distribution network by utilizing its sales teams, distribution systems, store networks and CRM systems. This will help to accelerate the expansion of the brand and exposure of its products within the fast growing VHMS market in China. Furthermore, the Group will step up investment in marketing initiatives, such as endorsements by well-known Chinese celebrities, to support active sales and improve consumer awareness.

Going forward, the Group will expand its global business footprint through the implementation of new initiatives in R&D, brand building and marketing. This included the opening of the first European office of Biostime Institute for Nutrition and Care ("**BINC**") in Geneva, Switzerland in May. The BINC will offer sustainable scientific support that underpins the premium quality of the Group's products while boosting its R&D capacity through partnership with world-class research institutions in Europe, and laying down the groundwork for BINC to become a world-class international research body.

With inspiring brands and integrated global resources, the Group is continuing to build its leadership credentials in the IMF and VHMS segments by bringing its high quality products to new markets. The Group recently launched the super premium organic IMF products under its Healthy Times™ brand in the United States, as well as Biostime™ branded organic series in France, leveraging its local existing sales resources to accelerate its international exposure. Meanwhile, building on the strong momentum of expansion into international markets in 2016 through its partnership with PGT, the Group is committed to widening the global presence of Swisse with recent launches in the Hong Kong and the United States markets. It expects to enter more markets in the coming year.

With these steps, the Group aspires to strengthen its competitiveness and make further strides towards becoming a global leader in premium nutrition and wellness.

RESULTS OF OPERATION

Revenue

For the six months ended 30 June 2017, the Group's revenue increased by 18.1% to RMB3,551.4 million as compared with the corresponding period in 2016. The increase in revenue was mainly attributable to the solid growth of both the BNC and ANC segments, especially the strong sales momentum of the Biostime™ branded IMF and probiotics supplement products.

	Six months ended 30 June				
				% to revenue	
	2017	2016	*Change*	**2017**	2016
	RMB'000	*RMB'000*			
Baby nutrition and care products	**2,085,465**	1,724,294	20.9%	**58.7%**	57.3%
– Infant formulas	**1,661,255**	1,460,490	13.7%	**46.8%**	48.5%
– Other pediatric products	**424,210**	263,804	60.8%	**11.9%**	8.8%
Adult nutrition and care products	**1,465,950**	1,284,010	14.2%	**41.3%**	42.7%
Total	**3,551,415**	3,008,304	18.1%	**100.0%**	100.0%

Infant formulas

Revenue from IMF amounted to RMB1,661.3 million in the six months ended 30 June 2017, representing an increase of RMB200.8 million, or 13.7%, as compared with the same period of last year. The growth was mainly attributable to the strong sales momentum of Biostime™ branded super premium and premium series IMF products, as well as the incremental sales from the Healthy Times™ branded organic IMF, which was launched in December 2016. The increase was partially offset by a decline in revenue attributable to the mid-tier Adimil™ branded IMF products.

Other pediatric products

During the period under review, the Group recorded revenue from probiotic supplements of RMB337.8 million, a robust growth of 72.9% compared to RMB195.4 million in the first half of 2016. Probiotic supplements also contributed 79.6% of total revenue within the other pediatric product segment for the six months ended 30 June 2017. The increase in revenue was attributable to rising consumer demand as a result of heightened awareness in China of the health benefits associated with probiotics, the launch of effective marketing initiatives, as well as the introduction of a high profile brand ambassador for the first time.

Adult nutrition and care products

Revenue from the adult nutrition and care products segment amounted to RMB1,466.0 million for the six months ended 30 June 2017, representing an increase of 14.2% compared to revenue of RMB1,284.0 million for the corresponding period of 2016. Despite the high base for the first four months of 2016 prior to the CBEC regulatory change, the Group still managed to achieve a 5.7% increase in revenue on a currency-adjusted basis, from AUD267.6 million in the first half of 2016 to AUD282.8 million in the first half of 2017. The increase was mainly led by increased consumer demand for Swisse™ branded products in both the Chinese and Australian markets.

In April 2017, Swisse officially kicked off normal trade in China, further expanding the Chinese business beyond CBEC, which was launched in 2016. Active sales in China from both online and offline accounted for 24.4% of revenue from the adult nutrition and care products segment in the six months ended 30 June 2017.

Gross profit and gross profit margin

During the first half of 2017, the Group recorded gross profit of RMB2,315.7 million, an increase of 20.1% compared with the prior corresponding period. The Group's gross profit margin increased from 64.1% in the first half of 2016 to 65.2% in the first half of 2017.

The gross profit of the baby nutrition and care segment increased by 27.6% to RMB1,438.2 million in the first half of 2017 compared with the same period of last year, with the gross profit margin increasing from 65.4% to 69.0%. The higher gross profit margin mainly resulted from: (i) an improved product mix towards higher proportion of sales from the higher-margin Biostime™ branded IMF and probiotic supplements; and (ii) reduced price-discounting activities, which was replaced by other value-added consumer rewards programs, which had less impact on the gross profit.

On a currency-adjusted basis, the gross profit for the adult nutrition and care segment increased by 1.4% to AUD169.3 million in the first half of 2017, compared with AUD167.0 million in the first half of 2016. The gross profit margin of the adult nutrition and care segment decreased from 62.4% in the first half of 2016 to 59.9% in the first six months of 2017, which was mainly the result of non-recurring stock relabeling and the destruction of returned goods. Excluding these impacts, the gross profit margin of the adult nutrition and care products has almost rebounded back to the level recorded prior to the CBEC regulation change.

Other income and gains

Other income and gains amounted to RMB111.2 million for the six months ended 30 June 2017, representing a decrease of 19.1% compared with the previous corresponding period. Other income and gains primarily consisted of a net foreign exchange gain of RMB51.0 million, interest income of RMB20.9 million, fair value gains from the early redemption option embedded in the senior notes and forward currency contracts of RMB33.2 million and others.

Selling and distribution costs

Selling and distribution costs amounted to RMB1,072.2 million for the six months ended 30 June 2017, an increase of 12.3% compared to the same period of last year. The increase in selling expenses was mainly attributable to increased sales and marketing activities, such as the new brand ambassador and sponsorship programs, to support business expansion. These expenses were budgeted and incurred according to the Group's new strategic plan. They were deemed critical during the year 2017 before the new Chinese IMF registration rules become effective. The expenses were also necessary for the recent launch of Swisse normal trade sales and Healthy Times™ branded organic IMF in the Chinese market.

Selling and distribution costs as a percentage of the Group's revenue decreased slightly from 31.7% for the six months ended 30 June 2016 to 30.2% for the six months ended 30 June 2017 due to higher effectiveness in generating sales returns from the budgeted expense investments.

In the second half of 2017, the Group will further step up its investments in sophisticated marketing and brand building campaigns, as well as in sales channel expansions, to enhance the premium positioning of the Group's products, raise brand awareness and reach a broader consumer base.

Administrative expenses

Administrative expenses increased by 32.8% from RMB165.4 million for the six months ended 30 June 2016 to RMB219.6 million for the six months ended 30 June 2017. The increase in administrative expenses was mainly due to the additional employee expenses incurred as the Group enhanced its operational capability to support Swisse's global expansion, especially in China, as well as incremental expenses related to the Group's integration projects.

Administrative expenses as a percentage of the Group's revenue was 6.2% in the first half of 2017, compared with 5.5% in the same period of last year.

Other expenses

Other expenses for the six months ended 30 June 2017 increased to RMB195.9 million from RMB52.5 million in the first half of 2016. Other expenses mainly consisted of non-cash fair value losses on swap contracts of RMB107.1 million, R&D expenses of RMB38.7 million, a one-time expense paid to the original shareholders of Swisse on some tax refund of RMB34.9 million and others.

EBITDA and EBITDA margin

EBITDA for the six months ended 30 June 2017 increased to RMB1,004.0 million from RMB949.9 million for the six months ended 30 June 2016. The EBITDA margin was 28.3% during the period under review.

Adjusted EBITDA is reconciled from EBITDA by excluding the impact of net foreign exchange gains/losses, non-cash fair value changes on derivative financial instruments and other non-recurring expenses. During the first half of 2017, the adjusted EBITDA was RMB1,061.8 million, after excluding the impact of (i) a net foreign exchange gain of RMB51.0 million, (ii) non-cash fair value gains from the early redemption option embedded in the senior notes and forward currency contracts of RMB33.2 million, (iii) non-cash fair value losses on swap contracts of RMB107.1 million, and (iv) a one-time expense paid to the original shareholders of Swisse on some tax refund of RMB34.9 million. The adjusted EBITDA for the corresponding period in 2016 was RMB849.0 million, after excluding the impact of a foreign exchange gain of RMB91.3 million and net fair value gains on derivative financial instruments of RMB9.6 million. The Group's adjusted EBITDA margin increased by 1.7 percentage point from 28.2% in the first six months ended 2016 to 29.9% in the same period of 2017.

Finance costs

During the six months ended 30 June 2017, the Group incurred finance costs of RMB306.1 million, including interest expenses for convertible bonds, senior notes and interest-bearing bank loans of RMB277.5 million, bank charges relating to the financing for the Swisse minority interest buy-out of RMB15.2 million, and losses from the early redemption of the remaining part of the convertible bonds of RMB13.3 million.

Income tax expense

Income tax expense decreased from RMB256.9 million in the first half of 2016 to RMB236.5 million in the first half of 2017.

The effective tax rate decreased from 38.8% in the first half of 2016 to 37.4% in the first half of 2017. The decrease was mainly attributable to the tax deduction that resulted from tax consolidation of the Group's Australian subsidiaries, which occurred in September 2016, post the completion of the exercise of the Roll-up Call Option.

The decrease in income tax expense was partially offset by the non-deductibility of certain expenses for tax purpose, such as finance costs associated with the senior notes, losses from the early redemption of the remaining part of the convertible bonds and others.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the six months ended 30 June 2017, the Group recorded net cash generated from operating activities of RMB776.3 million, resulting from pre-tax cash from operations of RMB1,069.6 million, minus income tax paid of RMB293.3 million.

Investing activities

For the six months ended 30 June 2017, net cash flows generated from investing activities amounted to RMB197.3 million, primarily resulted from the decrease in time deposits of RMB209.9 million and others.

Financing activities

For the six months ended 30 June 2017, net cash flows used in financing activities amounted to RMB333.0 million. The cash outflows were primarily related to payment for the 17% Acquisition of RMB1,108.7 million, redemption of the convertible bonds of RMB1,240.9 million, repayment of bank loans of RMB188.7 million and interest for bank loans and senior notes of RMB223.7 million. The cash inflows were primarily related to net proceeds from the issuance of senior notes of RMB1,415.4 million and the release of pledged deposits of RMB987.7 million in an escrow account.

Cash and bank balances

As of 30 June 2017, cash and cash equivalents as stated in the interim condensed consolidated statement of financial position amounted to RMB1,933.3 million.

Interest-bearing bank loans, senior notes and convertible bonds

As of 30 June 2017, the Group's outstanding interest-bearing bank loans amounted to RMB2,647.1 million, including RMB479.7 million repayable within one year and RMB2,167.4 million repayable after one year.

In January 2017, the Company issued US$200.0 million 7.25% senior notes, due in 2021. The net proceeds from this issuance, together with the Group's cash on hand, was used to fund the 17% Acquisition. Taking the US$400.0 million senior notes issued in June 2016 into account, as of 30 June 2017, the total carrying amount of the senior notes was RMB4,074.5 million.

In February 2017, the Company, at the option of the bondholders, redeemed the remaining part of the bondholders' convertibles.

Thus, taking the senior notes and the interest-bearing bank loans into consideration, the gearing ratio was 50.1%. The gearing ratio is calculated by dividing the sum of the carrying amount of senior notes and interest bearing bank loans by total assets.

Working capital

Advance payment is normally required for the sale of the baby nutrition and care products, except for limited circumstances. The Group usually allows credit sales for adult nutrition and care products, with 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 decreased by 3 days from 31 days for the six months ended 30 June 2016 to 28 days for the six months ended 30 June 2017. The average turnover days of trade payables were 83 days for the six months ended 30 June 2017, representing a decrease of 17 from 100 days in the same period of 2016.

The Group endeavored to maintain its inventory at a healthy level to avoid excess inventory and deep discounting. The inventory turnover days were 122 days for the six months ended 30 June 2017, representing a decrease by 32 days from 154 days in the first half of 2016.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events occurred after the end of the reporting period and up to the approval date of the financial statements.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own code of corporate governance. Except for the deviation from code provision A.2.1 as disclosed below, the Company has complied with the code provisions contained in the CG Code for the six months ended 30 June 2017.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Luo Fei, the Chairman of the Company, was also appointed as the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the Company Code and the Model Code during the six months ended 30 June 2017.

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 2017. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") was established on 25 November 2010 in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Dr. Ngai Wai Fung, 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. Dr. Ngai Wai Fung, who has appropriate professional qualifications and experience in accounting matters, 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 results announcement complies with Appendix 16 of the Listing Rules. The Audit Committee of the Company 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 2017.

The interim condensed consolidated financial statements for the six months ended 30 June 2017 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

References are made to the announcements issued by the Company on 23 and 24 January 2017. On 23 January 2017, the Company issued senior notes due 21 June 2021 with an aggregate principal amount of US$200,000,000. The senior notes bear interest from and including 21 December 2016 at a rate of 7.25% per annum, payable semi-annually in arrears. The senior notes are listed on the Singapore Exchange Securities Trading Limited.

On 20 February 2017, at the option of the bondholders, the Company redeemed its then remaining part of the zero coupon convertible bonds due 2019, which are listed on the Stock Exchange (stock code: 6024), with an aggregate principal amount of HK$1,286,000,000 for an aggregate redemption price of HK$1,400,968,400 in accordance with the terms of such convertible bonds.

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 2017.

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 2017 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 22 August 2017

As at the date of this announcement, the executive director of the Company is Mr. Luo Fei; the non-executive directors of the Company are Dr. Zhang Wenhui, Mr. Wu Xiong, Mr. Luo Yun and Mr. Chen Fufang; and the independent non-executive directors of the Company are Dr. Ngai Wai Fung, Mr. Tan Wee Seng and Professor Xiao Baichun.