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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)**

### UNAUDITED OPERATIONAL STATISTICS FOR THE THREE MONTHS ENDED 31 MARCH 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Health and Happiness (H&H) International Holdings Limited (the “**Company**”), together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited operational statistics of the Group for the three months ended 31 March 2021.

- Total revenue declined 5.9% year-on-year on a like-for-like basis (“**LFL**”)<sup>1</sup> to RMB2,337.6 million due to a high base in the first quarter of 2020 following the outbreak of COVID-19, during which we experienced higher than normal demand for immunity-related products across the Baby Nutrition & Care (“**BNC**”) and Adult Nutrition & Care (“**ANC**”) segments in China and pantry loading in Australia and New Zealand (“**ANZ**”).
- Overall revenue from China declined 5.1% year-on-year. Sales from the BNC business in China declined 3.8%, which was mostly attributable to a 36.6% year-on-year drop in probiotics sales due to a high base in the first quarter of 2020. This was partially offset by strong infant milk formula (“**IMF**”) sales, which grew 8.4% year-on-year. Sales attributed to the ANC segment in China declined 10.8%, which was also attributable to a high-base effect last year.
- In the ANZ market, ANC sales declined 18.8% year-on-year, which was mainly attributable to a high-base effect from the pantry loading of Swisse products before lockdown in late March 2020. However, the overall decline in the ANZ market continued to narrow.

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

<sup>2</sup> China mentioned in this announcement refers to Mainland China

- Revenue attributed to the recently added Pet Nutrition & Care (“PNC”) segment declined 13.4% year-on-year. PNC revenue from the U.S. market grew 5.6% year-on-year despite a high base in the same period of last year, led by robust online sales. No sales were recorded in the China market during the period as we transitioned the Solid Gold brand from a sole distributor model to active sales which commenced in April 2021.
- Overall revenue attributed to the Rest of the World, excluding PNC sales, grew 1.4% year-on-year in the three months ended 31 March 2021 with all markets growing with the exception of the U.S. and the Netherlands.

During the three months ended 31 March 2021, our revenue declined 5.9% on an LFL basis to RMB2,337.6 million, compared to the same period of last year. This was mainly attributable to a high base caused by an uplift in demand for immunity-related products across our BNC and ANC segments in the first quarter of 2020 following the outbreak of COVID-19, especially in China, our largest market. Sales attributed to the ANZ market also continued to decline due to a high-base effect from pantry loading prior to ANZ entering lockdown in late March 2020, despite BNC sales in the ANZ market growing steadily during the period under review.

### Revenue by product segment and geography (unaudited)

The unaudited consolidated revenue of the Company by product segment and geography for the three months ended 31 March 2021 is as follows:

	For the three months ended 31 March			
	<i>All financial data is unaudited and recorded in RMB million</i>			
	2021	2020	Reported Change %	LFL Change %
<b>Revenue by product segment<sup>3</sup></b>				
Baby nutrition & care products	1,686.3	1,731.8	-2.6%	-2.6%
<i>Infant formulas</i>	1,290.2	1,181.8	9.2%	9.2%
<i>Probiotics supplements</i>	247.2	390.0	-36.6%	-36.6%
<i>Other pediatric products</i>	148.9	160.0	-6.9%	-6.9%
Adult nutrition & care products	651.3	691.9	-5.9%	-13.9%
Pet nutrition & care products	68.3	–	–	–
<b>Revenue by geography</b>				
China <sup>2</sup>	1,916.0	1,987.1	-3.6%	-5.1%
ANZ	254.9	277.5	-8.1%	-15.6%
Rest of the world	235.0	159.1	47.7%	1.4%
<b>Group Total</b>	<b>2,405.9</b>	<b>2,423.7</b>	<b>-0.7%</b>	<b>-5.9%</b>

<sup>3</sup> For illustrative purposes, the exchange rates of AUD1 = RMB5.0105 and AUD1 = RMB4.5813 have been used for the preparation of the unaudited consolidated revenue of the Company for the three months ended 31 March 2021 and comparative figures for the same periods ended 31 March 2020, respectively.

## **China: mid-single-digit revenue decline due to high base, despite accelerating IMF sales growth**

Revenue from China declined 5.1% year-on-year on a LFL basis during the three months ended 31 March 2021, due to a high base caused by higher than normal demand across our BNC and ANC product categories in the first quarter of 2020 following the outbreak of COVID-19. However, our IMF business continued to grow robustly. China remains our largest revenue contributor, accounting for 82.0% of our total revenue during the three months under review.

Total IMF sales in China expanded 8.4% year-on-year during the three months ended 31 March 2021, which included 3.8% growth for our cow milk IMF series (including growth from our core Biostime branded “Star Series” alongside contribution from our new domestic series) and 96.4% growth for our goat milk IMF series. This growth was driven by the successful implementation of our new channel expansion strategy for our multi-category product offering and the ongoing market segmentation trend in China.

Store coverage across China continued to increase as we penetrated into more baby specialty stores and other offline channels in lower-tier cities. Following the implementation of a new bonus stock policy in the later part of 2020, gross sales of our IMF products (including the bonus stock granted) grew by double digits during the first quarter of 2021.

In the twelve months ended 31 March 2021, we ranked sixth in the overall cow milk IMF market in China with a market share of 6.2%<sup>4</sup>. In particular, our market share in the three months ended 31 March 2021 improved to 6.3%, showing an accelerating trend of market share gain.

The other segments of our BNC business in China faced significant pressure in the three months ended 31 March 2021. Our probiotic supplements segment declined 36.6% year-on-year and was unduly impacted by a high base due to boosted demand for immunity-related products in the first quarter of 2020 following the outbreak of COVID-19. We expect this weakness to continue into the second quarter due to a continued high base before recovering in the following quarters on a normalized base. We continue to believe that the long-term growth of our probiotics business will be sustained on the back of rising health awareness in China and by Biostime’s No. 1 positioning in the global pediatric probiotic supplements market.

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<sup>4</sup> According to Nielsen, an independent research company, we ranked sixth in the overall cow milk IMF market in China with a market share of 6.2% for the twelve months ended 31 March 2021, which was stable compared to a market share of 6.2% for the twelve months ended 31 March 2020.

Revenue from our other pediatric products segment declined by 19.5% year-on-year, which was mainly attributed to lower sales of our Dodie diaper lines following a conscious decision to better control promotional activity in order to reduce discounting and improve margins. This strategy is likely to dampen the growth of our pediatric products segment throughout the rest of the year but will improve its profitability in the long run. However, Dodie stood firmly at the second place in the offline super premium diaper segment with 18.0% market share in the twelve months ended 31 March 2021.

Within our ANC segment, active sales of Swisse in China declined 10.8% year-on-year on a LFL basis, which was also attributable to the high-base effect in cross-border e-commerce (“CBEC”) in the same period of last year when the outbreak of COVID-19 triggered a surge in demand for immunity-related products (especially for our Vitamin C products), while normal trade business recorded high double-digit growth. Overall ANC sales in China accounted for 53.4% of total ANC revenue during the three months under review. For the twelve months ended 31 March 2021, Swisse continued to maintain its No. 1 position in China’s online supplement market with a market share of 5.7%<sup>5</sup>.

#### **ANZ: overall sales decline due to daigou channel while domestic market performed well**

Revenue from the ANZ market declined 15.6% on a LFL basis in the three months ended 31 March 2021, which was mainly attributed to a high-base effect from the pantry loading of Swisse products prior to ANZ entering lockdown in late March 2020. While our daigou business remained under pressure, Swisse gained domestic market share in both the first quarter and in the twelve months ended 31 March 2021. The overall decline in the ANZ market continued to narrow and we expect growth to return in the coming quarters. For the twelve months ended 31 March 2021, Swisse’s share of the Australian VHMS market was 12.1%<sup>6</sup>.

BNC revenue in the ANZ market grew by 103.0% during the period under review, resulting from our re-focus on the domestic development of the Biostime brand to better capture rising local demand for baby nutrition and immunity.

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<sup>5</sup> According to research statistics by Earlydata, an independent data provider, Swisse ranked first in the China online supplement market with a market share of 5.7% for the twelve months ended 31 March 2021, compared with 6.0% for the twelve months ended 31 March 2020, which is different from the data published by the Group in its Unaudited Operational Statistics for the Three Months Ended 31 March 2020 following recent statistics adjustments made by the JD and Kaola e-commerce platforms.

<sup>6</sup> According to research statistics by IRI, the share of Swisse Wellness Group Pty Ltd in the Australian VHMS market was 12.1% for the twelve months ended 31 March 2021 as compared with 14.7% for the twelve months ended 31 March 2020.

## **Rest of the World: strong and encouraging growth maintained in the first quarter**

Revenue attributed to the Rest of the World, excluding PNC sales, grew by 1.4% year-on-year in the three months ended 31 March 2021 with revenue attributed to all overseas markets, with the exception of the U.S. and the Netherlands, growing well. Growth in the Singapore, France and UK markets was particularly strong, with the Hong Kong SAR returning to positive growth after experiencing significant weakness during the past two years. We were encouraged to see the India and Malaysia markets already starting to contribute meaningful revenue, despite our brands only entering these markets in 2020.

## **Newly acquired PNC segment: strong growth in the U.S. market**

Our PNC segment in the U.S. market, led by Solid Gold, grew 5.6% year-on-year on a LFL basis in the three months ended 31 March 2021 despite a high base in the same period of last year, driven by robust online demand. No sales were recorded for the recently added PNC segment in China during the three months under review as we transitioned from a sole distributor model to active sales, which commenced in April 2021. During the period under review, we established our PNC China team and focused on preparing for the official launch of the Solid Gold brand both online and offline.

## **Healthy liquidity position**

As of 31 March 2021, our cash balance stood at RMB1.79 billion while maintaining a high level of cash conversion. We did not experience any significant losses from foreign currency fluctuations during the three months under review, having hedged the majority of the currency exposure related to our purchase commitments with our contract manufacturers since the beginning of 2021.

## **2021 outlook unchanged: accelerating growth with improved margins**

We expect revenue to gradually return to growth on a year-on-year basis. Looking ahead, we will continue to aim for accelerating revenue growth with improved margins for the full 2021 financial year, with China remaining the largest contributor to growth. Our efforts to expand the penetration of our diversified BNC and ANC products in the Chinese offline market remains on track. We will continue to pursue further market share gain and strictly control our operational costs to achieve overall margin improvement.

Within our BNC segment, we expect our IMF segment to continue to gain market share, with our probiotics segment to return to positive growth in the second half of the year. In the ANC segment, we will continue to capture more of the fast-growing normal trade e-commerce market channel in China by introducing more new blue hat SKUs. We expect the sales contribution from the PNC segment to deliver further growth in the rest of the year as Solid Gold expands in the U.S. and China online and offline channels.

Sales in the ANZ market are expected to gradually recover on a full-year basis given the low sales base for the past two years and our re-focus on the domestic market. We will continue to invest in driving domestic demand and gaining local market share, with the daigou channel expected to remain under pressure. We also expect to see more contribution from our other markets and we will continue to build on our vision of becoming a global leader in premium nutrition and wellness through superior products and aspirational brands.

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

Hong Kong, 11 May 2021

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