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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)

OPERATIONAL AND FINANCIAL UPDATE FOR THE THREE MONTHS AND YEAR ENDED 31 DECEMBER 2021

This announcement is made by Health and Happiness (H&H) International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to provide an update on the Group’s operational and financial performance for the three months and the year ended 31 December 2021.

OPERATIONAL UPDATE

During the three months ended 31 December 2021, the Group has achieved a low-single digit revenue growth on reported basis including the revenue contribution from the newly acquired Zesty Paws business. During the three months ended 31 December 2021, Zesty Paws maintained a strong double-digit revenue growth as compared to the same period of last year (i.e. year 2020). On a like-for-like (“**LFL**”)¹ basis, the Group recorded a low-double digit revenue decline as compared to the same period of last year.

During the year ended 31 December 2021, the Group achieved a low-single digit revenue growth on reported basis. On a LFL basis, the Group’s revenue recorded a low-single digit decline from the revenue recorded last year.

¹ LFL basis is used to indicate sales growth for the three months or year (as applicable) ended 31 December 2021 compared with the same period of the previous year, excluding the impact from acquisitions and foreign exchange changes.

Within Baby Nutrition & Care (“**BNC**”) segment, infant milk formula (“**IMF**”) revenue during the year ended 31 December 2021 recorded a low-single digit decline, while gross sales of our IMF products (including the bonus stock granted) continued the growth by high-single digit. Probiotic supplements sales continued double-digit decline on year-on-year basis due to both high base last year following COVID-19 outbreak and intense market competition. Sales of other pediatric products experienced a double digit decline on year-on-year basis due to the focus shift from volume growth to profitability improvement for this category.

Adult Nutrition & Care (“**ANC**”) segment achieved high-single digit growth during the year ended 31 December 2021, with China as the main growth contributor while the revenue in Australia and New Zealand (“**ANZ**”) returned to growth on year over year basis, representing a reversal of the decline recorded last year.

Pet Nutrition & Care (“**PNC**”) segment also achieved strong double-digit growth on LFL basis during the year ended 31 December 2021 as compared to last year. Both U.S. and China markets achieved strong growth during the period. The full-year sales of Zesty Paws for the year ended 31 December 2021 on the stand-alone basis achieved a new record high level with strong double-digit growth as compared with last year.

FINANCIAL UPDATE

Based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2021, the Adjusted EBITDA² of the Group on LFL basis is expected to record a decline by low-teens as compared to 2020. The Adjusted EBITDA margin for the year ended 31 December 2021 is expected to stay at a healthy level of mid-teens.

The Adjusted Net Profit³ of the Group on LFL basis for the year ended 31 December 2021 is expected to record a decline by low-teens compared to 2020. The Reported Net Profit of the Group prepared in accordance with the International Financial Reporting Standards is expected to decline by the range of 50-60%, which was primarily attributable to (i) non-cash exchange loss of approximately RMB140-150 million mainly arising from the revaluation of intragroup loans within the Group; (ii) non-cash loss of approximately RMB135-145 million mainly arising from fair value changes of early redemption option of the Group’s senior notes, hedge instruments for the Group’s long-term debt and warrants imbedded in one existing NewH² investment; (iii) non-cash goodwill impairment of approximately RMB76 million in relation to the previous acquisition of Changsha China IMF manufacturing plant in 2013; (iv) one-time impact on COGS (net of income tax expense) of approximately RMB39 million in relation to the mark-to-market increase for the value of inventory in the acquisition of Zesty Paws; and (v) the one-time employment relief benefits of approximately RMB74 million received from government authorities in 2020 following COVID-19 outbreak.

² EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA is calculated excluding the impact from non-cash and non-recurring items from reported EBITDA.

³ Adjusted Net Profit is calculated excluding the impact from non-cash and non-recurring items from reported net profit.

As of 31 December 2021, our cash balance stood at RMB2.4 billion, and we continue to maintain a healthy level of cash conversion.

The information contained in this announcement is based on a preliminary assessment of the information currently available to the Board, including the unaudited consolidated management accounts of the Group for year ended 31 December 2021, which as at the date of this announcement are still under reviewed or audited by the Company's auditors. Shareholders and potential investors are advised to refer to the details of the Group's annual results announcement for the year ended 31 December 2021, which is expected to be released on 22 March 2022 in accordance with the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 8 March 2022

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.