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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 SIX MONTHS ENDED 30 JUNE 2022

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 six months ended 30 June 2022.

OPERATIONAL UPDATE

In the six months ended 30 June 2022, the Group continued its strategic path to achieve profitable growth with the overall business development well in line with the Group’s expectation. Many parts of the Group’s business performed healthily despite facing various industry challenges, new waves of COVID-19 and a volatile macroeconomic environment.

In addition, the Group drew down a 3-year term loan facility with an aggregate principal amount of US\$1.125 billion on 27 June 2022 to refinance all of its existing loan facilities. This new loan facility is also a sustainability-linked facility with 3 ESG performance targets. This successful refinancing arrangement has greatly improved the Group’s capital structure and liquidity position.

During the three months ended 30 June 2022, the Group has achieved a high-single digit revenue growth on reported basis including the revenue contribution from Zesty Paws since the completion of acquisition on 4 October 2021. On a like-for-like (“LFL”)¹ basis, the Group recorded a low-single digit revenue growth as compared to the same period of last year.

During the six months ended 30 June 2022, the Group achieved a high-single digit revenue growth on reported basis including the revenue contribution from Zesty Paws. On a LFL basis, the Group recorded an around mid-single digit revenue growth from the same period of last year.

Within Baby Nutrition & Care (“BNC”) segment, infant milk formula (“IMF”) sales during the six months ended 30 June 2022 recorded a low-single digit decline. Probiotic supplements sales returned to its long-term growth trend, achieving a mid-single digit growth during the six months ended 30 June 2022. 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 double-digit growth during the six months ended 30 June 2022, despite supply chain challenges and disruption due to the pandemic.

Pet Nutrition & Care (“PNC”) segment also reached strong double-digit growth on LFL basis during the six months ended 30 June 2022 as compared to the same period of last year. Both U.S. and China markets achieved strong growth during the period.

FINANCIAL UPDATE

Based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2022, the Adjusted EBITDA² of the Group is expected to decline at a low-single digit level as compared to that of the same period in 2021. The Adjusted EBITDA margin for the six months ended 30 June 2022 is expected to stay at a healthy level of mid to high teens.

¹ LFL basis is used to indicate sales growth for the three or six (as applicable) months ended 30 June 2022 compared with the same period of the previous year, excluding the impact from acquisitions and foreign exchange changes.

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.

The Adjusted Net Profit³ of the Group for the six months ended 30 June 2022 is expected to decline by a range of 25-35% compared to the same period in 2021. The expected decline is primarily attributable to the increased finance cost for the incremental interest-bearing bank loans with principle of US\$550 million in relation to the acquisition of Zesty Paws. In terms of the Reported Net Profit of the Group in accordance with the International Financial Reporting Standards, it is expected to decline by a range of 5-15%, which is lower than that decline in Adjusted Net Profit primarily due to the favorable impact from (i) non-cash foreign exchange gain mainly arising from the revaluation of intragroup loans within the Group; and (ii) non-cash gain mainly arising from fair value changes of existing NewH² investment and hedge instruments for the Group's long-term debt, while significant non-cash foreign exchange losses and non-cash fair value losses were recognized during the six months ended 30 June 2021.

As of 30 June 2022, the Group maintained a healthy liquidity position with the cash balance of RMB2.1 billion.

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 the six months ended 30 June 2022, which as at the date of this announcement are yet to be reviewed or audited by the Company's auditors. Shareholders and potential investors are advised to refer to the details of the Group's interim results announcement for the six months ended 30 June 2022, which is expected to be released on 29 August 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, 25 July 2022

As at the date of this announcement, the executive directors of the Company are Mr. Luo Fei, Ms. Laetitia Albertini 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.

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