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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 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 year ended 31 December 2022.

#### **OPERATIONAL UPDATE**

In the year ended 31 December 2022, the Group made significant progress in enacting its long-term strategy to deliver profitable growth with the overall business development during the period being well in line with its expectation. Despite volatile and uncertain external environment coupled with supply chain challenges, the Group delivered another year of uninterrupted top-line growth and positive EBITDA for all of its three strategic business pillars – Baby Nutrition and Care (“**BNC**”), Adult Nutrition and Care (“**ANC**”) and Pet Nutrition and Care (“**PNC**”).

During the year ended 31 December 2022, the Group achieved a low-double 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 mid-single digit revenue growth from the previous year.

¹ LFL basis is used to indicate sales growth for the three months or year (as applicable) ended 31 December 2022 compared with the same period of the previous year, excluding the impact from acquisitions and foreign exchange changes.

Within BNC segment, Infant Milk Formula (“IMF”) sales stabilized with slight positive growth achieved during the year ended 31 December 2022. Probiotic supplements sales returned to its long-term growth trend, achieving a double-digit growth during the year ended 31 December 2022. Sales of other pediatric products experienced a double digit decline on year-on-year basis due to the shift of the Group’s focus from volume growth to profitability improvement for this category.

ANC segment achieved a double-digit growth on a LFL basis during the year ended 31 December 2022, with robust growth in both mainland China and Australia and New Zealand (“ANZ”) markets.

PNC segment also reached a strong double-digit growth on a LFL basis during the year ended 31 December 2022 as compared to the previous year. Both North America and mainland China markets achieved strong growth during the period.

During the three months ended 31 December 2022, the Group has achieved a low-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 LFL basis, the Group recorded a low-single digit revenue growth as compared to the same period of the previous year.

In February 2023, the Group received approval of new ‘GB standards’ (i.e. National Standards of the People’s Republic of China) for Biostime Alpha Star IMF series. The Group is confident about the approval of other IMF series and has planned its inventory building based on customer demand and estimated approval timing.

## **FINANCIAL UPDATE**

Based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2022, the Adjusted EBITDA<sup>2</sup> of the Group is expected to record an increase at a mid-to-high single digit level as compared to 2021. The Adjusted EBITDA margin for the year ended 31 December 2022 is expected to stay at a healthy level of mid-teens.

The Adjusted Net Profit<sup>3</sup> of the Group for the year ended 31 December 2022 is expected to record a decline in the range of 20-30% as compared to 2021. The expected decline is primarily attributable to the increased finance cost for the incremental interest-bearing bank loans with principal of US\$550 million in relation to the acquisition of Zesty Paws. In terms of the Reported Net Profit of the Group to be reported in accordance with the International Financial Reporting Standards, it is expected to reflect a positive growth, instead of a decline as reflected by the Adjusted Net Profit. Such growth in the Group’s Reported Net Profit is primarily attributable 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

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

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

mainly arising from fair value changes of hedge instruments for the Group's long-term debt and existing NewH<sup>2</sup> investment. In comparison, significant non-cash foreign exchange losses and non-cash fair value loss were recognized during the year ended 31 December 2021. The Reported Net Profit of the Group for the year ended 31 December 2022 is also negatively impacted by: (i) the non-cash impairment of goodwill in relation to the previous acquisitions of Aurelia and Good Goût in Europe. The goodwill of Aurelia and Good Goût accounted for 2.7% of the Group's total goodwill as of 31 December 2022. Through the annual impairment test for goodwill, the Group sees sufficient headroom maintained for remaining goodwill; and (ii) one-time restructuring and integration costs in certain markets including Europe and North America.

During the year ended 31 December 2022, the Group made significant progress in improving its capital structure and liquidity position, having successfully refinanced all of its existing loan facilities. As of 31 December 2022, the Group maintained a healthy liquidity position with a cash balance of RMB2.3 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 year ended 31 December 2022, 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 2022, which is expected to be released on 21 March 2023 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, 28 February 2023

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