

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2023**

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 2023 (the “**Relevant Period**”).

- In the three months ended 31 March 2023, total revenue increased by 17.3% year-on-year on a reported basis (15.7% on a like-for-like (“**LFL**”)<sup>1</sup> basis) to RMB3,148.4 million. This was mostly attributed to strong growth in our Adult Nutrition & Care (“**ANC**”) segment in mainland China and Australia and New Zealand (“**ANZ**”), as well as healthy Pet Nutrition & Care (“**PNC**”) segment growth. Revenue attributed to our Baby Nutrition & Care (“**BNC**”) segment declined mainly due to the weaker infant milk formula (“**IMF**”) sales as a result of channel optimisation strategies and the increased competitive intensity across the IMF industry.
- Revenue from mainland China increased by 15.3% year-on-year on a LFL basis amid strong double-digit growth in the ANC segment and ongoing growth in the PNC segment. This offset a decline in BNC sales, led by weaker IMF sales, notwithstanding strong double-digit growth in probiotics.
- Double digit growth year-on-year in ANZ, expanding by 18.6% on a LFL basis, with domestic and export channel growth in ANC segment.
- In North America, total revenue expanded by 23.2% year-on-year on a LFL basis, supported by a 23.0% expansion in PNC revenue on a LFL basis
- The Group continues to be well positioned to cope with greater exchange rate fluctuations and a higher interest rate environment, having earlier predominately hedged these associated exposures with two debt instruments until maturity through cross-currency swaps, interest rate swaps and natural hedges.

<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 foreign exchange changes.

## Revenue by product segment and geography (unaudited)

The unaudited consolidated revenue of the Company by product segments and geography for the Relevant Period is as follows:

	<b>For the three months ended 31 March</b>			
	<i>All financial data is unaudited and recorded in RMB million</i>			
	<b>2023</b>	2022	<b>Reported Change %</b>	<b>LFL Change<sup>2</sup> %</b>
<b>Revenue by product segment</b>				
Baby nutrition & care products	<b>1,389.6</b>	1,530.7	<b>-9.2%</b>	<b>-9.2%</b>
<i>Infant formulas</i>	<b>932.1</b>	1,205.0	<b>-22.6%</b>	<b>-22.6%</b>
<i>Probiotics and Nutritional supplements</i>	<b>376.7</b>	220.8	<b>70.6%</b>	<b>70.6%</b>
<i>Other paediatric products</i>	<b>80.8</b>	104.9	<b>-23.0%</b>	<b>-23.0%</b>
Adult nutrition & care products	<b>1,310.9</b>	803.1	<b>63.2%</b>	<b>60.9%</b>
Pet nutrition & care products	<b>447.9</b>	349.4	<b>28.2%</b>	<b>20.9%</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Revenue by geography</b>				
Mainland China	<b>2,233.8</b>	1,927.4	<b>15.9%</b>	<b>15.3%</b>
ANZ	<b>396.2</b>	329.5	<b>20.2%</b>	<b>18.6%</b>
North America	<b>362.0</b>	273.0	<b>32.6%</b>	<b>23.2%</b>
Other Territories	<b>156.4</b>	153.3	<b>2.0%</b>	<b>1.4%</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Group Total</b>	<b>3,148.4</b>	2,683.2	<b>17.3%</b>	<b>15.7%</b>
	<hr/>	<hr/>	<hr/>	<hr/>

<sup>2</sup> For illustrative purposes, the exchange rates of AUD1=RMB4.6712 and USD1=RMB6.8476, AUD1=RMB4.6051 and USD1=RMB6.3504 have been used for the preparation of the unaudited consolidated revenue of the Company for the three months ended 31 March 2023 and comparative figures for the same periods ended 31 March 2022, respectively.

## **Mainland China: robust growth in ANC and healthy growth in PNC segment offsets decline in BNC segment**

Revenue from mainland China increased by 15.3% year-on-year on a LFL basis in the Relevant Period amid strong double-digit growth in our ANC segment, healthy growth in our PNC segment and a decline in BNC sales. Mainland China remained our largest market, accounting for 71.0% of our total revenue during the Relevant Period, compared with 71.8% in the same period of last year.

Sales attributed to our BNC segment was impacted by weaker IMF sales which declined by 22.8% due to (i) exit one unprofitable baby retail channel that did not meet our target profitability requirements and the business invested and drove the growth in other channels where we continue to see profitable growth, and (ii) increased competitive intensity at the start of the year due to planned new ‘GB standards’ (i.e. National Standards of the People’s Republic of China) transition but we witnessed some stabilisation coming back at end of March 2023. However, our super-premium Biostime IMF segment outperformed market growth with an increased market share of 12.0% for the twelve months ended 28 February 2023 compared to 11.8% for the same period last year<sup>3</sup>.

The performance of our probiotic and nutritional supplements business continued to strengthen as a result of higher consumer demand for immunity products following the lifting of COVID-19 lockdown measures in late 2022 and continued increase in channel penetration, branding, new product innovations in terms of format and category, as well as consumer education strategies, with sales expanding by 70.9% in the Relevant Period. Revenue from our other paediatric product categories, which mainly comprises our Dodie diaper products, declined by 42.9% year-on-year in the Relevant Period as a result of our channel optimisation strategy of moving away from online to offline to drive continued profitability improvement.

Within the ANC segment, active sales of Swisse in mainland China increased by 96.1% on a LFL basis in the Relevant Period and accounted for 64.6% of our total ANC segment sales. The strong double-digit growth was driven by (i) the demand shift from the three months ended 31 December 2022 to the Relevant Period due to stock availability, (ii) robust consumer demand for beauty, multi-vitamins and immune support products, a trend that temporarily intensified during the Relevant Period following the lifting of COVID-19 lockdown measures in late 2022, and (iii) selective price increase across portfolio from the Relevant Period. In cross-border e-commerce (“CBEC”) channel, which contributed 72.6% of our mainland China ANC revenue, sales grew by 74.0% on a LFL basis. Normal trade sales accounted for 27.4% of total mainland China ANC revenue, growing by 200.2% on a LFL basis, supported by the launch of more innovative categories and effective marketing. In the twelve months ended 28 February 2023, Swisse maintained its No.1 position in mainland China’s online vitamin, herbal and mineral supplements (“VHMS”) market with a market share of 7.6%<sup>4</sup>.

<sup>3</sup> According to Nielsen, an independent research company, the share of Biostime in the super-premium IMF market in mainland China was 12.0% for the twelve months ended 28 February 2023, compared with a market share of 11.8% for the twelve months ended 28 February 2022.

<sup>4</sup> According to research statistics by Earlydata, an independent data provider, Swisse ranked No.1 in the China online VHMS market with a market share of 7.6% for the twelve months ended 28 February 2023, compared with 6.8% for the twelve months ended 28 February 2022.

By leveraging increasing pet adoption rates and growing spending on premium pet nutrition, PNC sales, led by Solid Gold which maintained its No.2 position in mainland China's online premium cat dry food category<sup>5</sup>, recorded healthy 13.9% growth year-on-year on a LFL basis in the Relevant Period, despite temporary supply challenge in early 2023. We further improved our exposure to consumers in the online and offline markets, having now reached 7,901 supermarkets, pet stores and pet hospitals in the offline market.

### **ANZ: double-digit growth year-on-year and increased market share in the domestic market**

We saw double-digit growth in the ANZ market year-on-year during the Relevant Period with sales expanding by 18.6%, supported by both our domestic and export channels. Our strong performance in the domestic market was driven by (i) leveraging growing demand for immune, beauty nutrition and general wellness-supporting products while continuing to strategically focus on the domestic market and new product launches; (ii) increasing contribution from innovative products, including gummies; and (iii) selective price increase across our portfolio from the Relevant Period. We further narrowed the gap with the market leader with Swisse's share of the overall Australian VHMS market maintained at 12.4%<sup>6</sup>.

### **North America: solid growth delivered with channel expansion continued**

Revenue attributed to North America, now our third-largest market and a major source of growth, grew by 23.2% on a LFL basis in the Relevant Period, within which the PNC business grew by 23.0% on a LFL basis, as we benefited from the increasingly well-established pet nutrition premiumization, the pet humanizing trends and growing pet population. This growth was partially offset by the transition of Solid Gold's business on Amazon from a wholesale model to a marketplace model, which was completed in December 2022.

During the Relevant Period, Zesty Paws expanded its distribution network beyond Walmart, Target, PetSmart and independent pet stores into CVS and Tractor Supply to further increase its retail penetration and reach a broader consumer base. In addition, Solid Gold entered into Walmart by leveraging the synergetic benefits of the combined PNC business. Offline, Zesty Paws and Solid Gold are now present in more than 9,800 stores and 4,300 stores respectively across the United States.

<sup>5</sup> According to research statistics by SmartPath, an independent research company, market share data for the past twelve months as of 28 February 2023.

<sup>6</sup> According to research statistics by IQVIA, the share of Swisse Wellness Group Pty Ltd in the overall Australian VHMS market was 12.4% for the twelve months ended 25 February 2023 as compared with 12.2% for the twelve months ended 25 February 2022.

## **Other territories: continued growth in Asian expansion markets**

Revenue contributed by other territories increased slightly by 1.4% on a LFL basis in the Relevant Period, which was mainly attributed to robust growth in Asia, including in our expansion markets of Hong Kong SAR, Singapore, Vietnam, Thailand, India and Malaysia, which was partially offset by stock availability issues in France. Biostime maintained its No.1 positions in the organic IMF and goat IMF categories within the French pharmacy channel with a market share of 43.5% and 39.4%, respectively<sup>7</sup>.

## **Healthy liquidity position**

As of 31 March 2023, our cash balance stood at RMB1.7 billion and we maintained a healthy level of cash conversion, allowing us to further deleverage our balance sheet and sustain a continuous dividend payout. It will also allow us to meet the incremental cash needs required for building up our IMF inventory alongside new ‘GB standards’ approvals, as well as ANC and PNC inventories amid stronger business demand, although we expect our overall inventory level to normalise in 2023. We remain well-positioned to cope with greater exchange rate fluctuations and a higher interest rate environment, having earlier predominantly hedged these associated exposures with two debt instruments until maturity through cross-currency swaps, interest rate swaps and natural hedges.

## **2023 outlook: growth rates in certain parts of the business to moderate in coming quarters**

We remain fully committed to our growth, globalisation and diversification. We remain laser-focused on evolving each of our BNC, ANC, and PNC pillars, winning in core by pursuing organic growth strategy in both our stronghold markets and new markets. While the external environment remains uncertain, our strategy stays the same, with agility, action and capability building remaining our primary focuses.

Within our BNC business, although market headwinds will remain acute, we expect our IMF business in mainland China to be stable over the full year as we continue to grow in the super-premium category and as more of our various IMF series gain ‘GB standards’ approvals from the relevant authorities following the successful approval of our Alpha Star IMF series in February 2023. We have built sufficient inventory for the year based on customer demand and the estimated timing of upcoming approvals. In the probiotics and nutritional supplements segment, we will further grow our No.1 market share lead by growing our infant and kids ranges, as well as in other supplements categories including DHA, calcium, and gummies.

<sup>7</sup> According to research statistics by GERS, an independent research company, market share data for the past twelve months as of 28 February 2023.

In the ANC segment, we expect a moderation in the growth rate in mainland China as the market normalises post-COVID. Nevertheless, we will drive growth through expansion and innovation, maintaining our No.1 position and growing our market in the mainland China cross-border e-commerce (“CBEC”) market. We will continue to leverage Swisse Plus+ with both existing and newly developed SKUs to further premiumise Swisse’s product portfolio in mainland China.

We will progressively expand our PNC brands in mainland China with category-focused innovations, such as in the fish oil category where we will launch later in the year. We will also strengthen the leadership of Solid Gold by driving market share growth in the premium cat food category in mainland China.

In ANZ, our growth rate is also likely to moderate in line with the industry growth trend. We will continue to pave the way to reclaim our domestic leadership position and gain market share by driving growth in our core categories of immunity, beauty nutrition and general wellness-supporting products catering to the needs of domestic customers, while growing sales steadily in export channels.

In North America, we will further grow Zesty Paws’ online leadership by maintaining its leading position on Amazon and Chewy and growing market share in the pet supplement category. We will build up the profitable growth of Solid Gold by targeting the super-premium category and focusing on e-commerce and selective retail channels.

The Board wishes to remind shareholders and potential investors that the above operational statistics have not been reviewed or audited by the independent auditors of the Group and are based on preliminary internal information of the Group, which may differ from figures to be disclosed in the audited or unaudited consolidated financial statements to be published by the Company on an annual or half-yearly basis due to uncertainties during the process of collating such information. Differences may also arise between such statistics and the data disclosed in audited report due to review and audit adjustments. Such data should neither be considered as a measure or indication of the future operating or financial performance of the Group, in particular, for the 6 months ending 30 June 2023, nor be considered as a representation of the Group’s corresponding data that may be provided in the audited or unaudited consolidated financial statements of the Group in due course. Shareholders and potential investors are cautioned not to unduly rely on such statistics and are advised to exercise caution in 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, 17 April 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.*