

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 NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2023 (the “**Relevant Period**”).

- In the nine months ended 30 September 2023, total revenue increased by 11.9% year-on-year on a reported basis (10.9% on a like-for-like (“**LFL**”) basis) to RMB10,278.4 million. This was mostly attributed to the robust growth of our Adult Nutrition & Care (“**ANC**”) segment in mainland China and Australia and New Zealand (“**ANZ**”) and healthy growth momentum in our Pet Nutrition & Care (“**PNC**”) business. Revenue attributed to our Baby Nutrition & Care (“**BNC**”) segment declined, mainly due to the weaker performance of our infant milk formula (“**IMF**”) business as current market headwinds remained acute for longer than expected and we made a strategic choice to maintain healthy level of channel inventory ahead of the new GB products launch in the year end.
- Revenue from high-margin and fast-growing nutritional supplements across all three of our ANC, BNC and PNC business segments¹ contributed 61.4% of our total revenue.
- Revenue from mainland China increased by 6.9% year-on-year on a LFL basis, with strong double-digit growth in the ANC and PNC segments partially offsetting a low double-digit decrease in the BNC segment.
- Revenue in ANZ grew by robust double-digits, increasing by 25.7% on a LFL basis, supported by both domestic and export channels.
- Revenue in North America expanded by 22.5% year-on-year on a LFL basis, mainly driven by PNC revenue growth.

¹ Nutritional supplements are included in our Swisse vitamin, herbal and mineral supplements (“**VHMS**”) product, Biostime probiotic supplement, Biostime paediatric product and Solid Gold and Zesty Paws pet supplement ranges.

Revenue by product segment and geography (unaudited)

The unaudited consolidated revenue of the Company by product segment and geography for the nine months and for the three months ended 30 September 2023, and the comparative figures for the same periods ended 30 September 2022 is as follows:

	For the nine months ended 30 September				For the three months ended 30 September			
	2023	2022	Reported Change %	LFL Change ² %	2023	2022	Reported Change %	LFL Change %
<i>All financial data are unaudited and recorded in RMB million</i>								
Revenue by product segment								
Nutritional Supplements	6,306.9	4,737.6	33.1%	31.4%	2,114.6	1,833.0	15.4%	13.8%
– Adult nutritional supplements	4,520.3	3,293.8	37.2%	36.4%	1,643.6	1,295.4	26.9%	26.1%
– Paediatric probiotic and nutritional supplements	912.9	808.9	12.9%	12.9%	169.4	309.8	-45.3%	-45.3%
– Pet supplements	873.7	634.9	37.6%	29.6%	301.6	227.8	32.4%	24.7%
Infant Formulas	3,144.6	3,634.8	-13.5%	-13.5%	930.9	1,172.6	-20.6%	-20.6%
Others ³	826.9	812.0	1.8%	0.2%	252.0	223.3	12.9%	10.8%
Revenue by business segment								
Baby nutrition and care products	4,286.5	4,748.7	-9.7%	-9.7%	1,170.5	1,564.8	-25.2%	-25.2%
Adult nutrition and care products	4,606.5	3,368.2	36.8%	35.9%	1,668.3	1,321.7	26.2%	24.6%
Pet nutrition and care products	1,385.4	1,067.5	29.8%	23.8%	458.7	342.4	34.0%	28.2%
Revenue by geography								
Mainland China	7,271.2	6,786.7	7.1%	6.9%	2,195.0	2,392.0	-8.2%	-9.0%
ANZ	1,376.0	1,088.1	26.5%	25.7%	546.4	395.6	38.1%	36.6%
North America	1,125.1	866.0	29.9%	22.5%	388.6	295.0	31.7%	25.9%
Other Territories	506.1	443.6	14.1%	13.7%	167.5	146.3	14.5%	13.8%
Group Total	10,278.4	9,184.4	11.9%	10.9%	3,297.5	3,228.9	2.1%	0.7%

² For illustrative purpose, the exchange rates of AUD1 = RMB4.6975 and USD1 = RMB7.0148, AUD1 = RMB4.6677 and USD1 = RMB6.6068 have been used for the preparation of the unaudited consolidated revenue of the Company for the nine months and for the three months ended 30 September 2023 and comparative figures for the same periods ended 30 September 2022, respectively.

³ Others include pet food from Solid Gold, baby food and snacks from Good Goût, baby accessories from Dodie and other skincare products.

Mainland China: Sustained strong growth in ANC and PNC segments offsets decline in BNC segment

Revenue from mainland China increased by 6.9% year-on-year on a LFL basis in the Relevant Period, with strong double-digit growth in our ANC and PNC segments offsetting by a low double-digit decrease in our BNC segment. Mainland China remained our largest market, accounting for 70.7% of our total revenue during the Relevant Period, compared with 73.9% in the same period of last year.

The 40.8% growth in our ANC segment was mainly driven by robust consumer demand for beauty, multi-vitamins and detox products, as well as new product launches within innovative categories, as we further extended Swisse's product portfolio into Swisse Plus+, Swisse Me and Little Swisse to better capture demand for premium nutritional products from different consumer audiences. Normal trade sales at Swisse in the Relevant Period accounted for 23.8% of total mainland China ANC revenue, remaining robust with year-on-year growth of 74.1% on a LFL basis, supported by the launch of more innovative categories, continued consumer education and effective marketing.

These efforts saw Swisse continue to outpace all other players in the category and maintain its No. 1 position in the mainland China online market⁴. Further, we are seeing signs of success in capturing demand for premium nutritional products, with Swisse Plus+ accounting for a high single-digit percentage of total ANC revenue in mainland China in the Relevant Period following its launch in the third quarter of 2022.

The decline in sales in our BNC segment in the Relevant Period was mostly attributed to a weaker IMF performance, where sales declined by 13.8% due to (i) the systemic challenges being faced by the entire IMF industry in mainland China; (ii) increased competitive intensity during the new 'GB standards' transition, and (iii) the strategic choice to maintain healthy levels of channel inventory ahead of the new GB products launch in the year end. Our BNC business continued to invest in and drive growth in other channels where we continue to see profitable growth.

Sales of paediatric probiotic and nutritional supplements in mainland China remained healthy in the Relevant Period, with sales expanding by 12.5% in the Relevant Period, driven by the higher consumer demand for paediatric nutritional supplements and the launch of new innovative products including probiotic gummies, DHA and calcium which support the physical and mental well-being of children. Sales of paediatric probiotic and nutritional supplements in mainland China during the third quarter of 2023 declined by 45.6% due to customers' need for destocking and lower traffic in the pharmacy channel for immunity-related products post peak time of COVID. However, we continued to gain market share in both e-commerce and pharmacy channels during this period. This performance fortified Biostime's status as the leading paediatric nutritional supplement brand in mainland China.

⁴ According to research statistics by Early Data, an independent data provider, Swisse ranked No. 1 in the China online VHMS market with a market share of 7.9% for the twelve months ended 30 September 2023 as compared with 7.2% for the twelve months ended 30 September 2022.

The strong growth of our PNC segment in mainland China, with sales expanding by 28.0% on a LFL basis in the Relevant Period, was driven by innovative product launches under Solid Gold. We continued to widen the brand exposure of Solid Gold in the offline and online markets, with Solid Gold maintaining its No. 2 position in mainland China’s online premium cat dry food category⁵. With regards to the offline channel, as of 30 September 2023, Solid Gold’s distribution reached more than 8,800 pet stores and pet hospitals across the country.

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

We maintained robust double-digit growth momentum in the ANZ market year-on-year, with sales expanding by 25.7% on a LFL basis in the Relevant Period, supported by our domestic and export channels. This strong growth was driven by (i) leveraging growing demand for immune, beauty from within supplements and general wellness-supporting products with a strategic focus on the domestic market and new product launches; (ii) an increased contribution from innovative products, including the Swisse gummies range (which currently has a No. 2 market share of 13.9%⁶). Through its focus on the domestic market and innovation, Swisse maintained its No. 1 position in the overall Australian VHMS market⁷ and further grew its market share during the Relevant Period.

North America: double-digit growth delivered alongside domestic PNC brand leadership

Revenue in North America — now our third largest market and a major source of growth — expanded by 22.5% on a LFL basis in the Relevant Period, as we benefited from increasingly well-established pet nutrition premiumization, the pet humanizing trend and a growing pet population.

During the Relevant Period, Zesty Paws achieved strong year-on-year growth of 27.8% on a LFL basis, while strengthening its No. 1 ranking in the overall US pet VMS market and overall e-commerce market with market shares of 11.3% and 11.8%, respectively⁸. These No. 1 rankings have been supported by a rapid expansion of Zesty Paws’ distribution network across Walmart, Target, PetSmart and independent pet stores, further deepening its retail penetration and reach to a broader consumer base with increased market share.

⁵ According to research statistics by SmartPath, an independent research company, market share data for the past twelve months as of 30 September 2023.

⁶ According to research statistics by IQVIA, an independent research company, market share data for the 52-week period ended 30 September 2023.

⁷ Based on total market unit sales, according to research statistics by IQVIA, an independent research company, market share data for 2023 year to date 30 September 2023.

⁸ According to research statistics by Stackline and NielsenIQ Byzzer, independent research companies, market share data for the 52-week period ended 30 September 2023.

Meanwhile, Solid Gold returned to growth during the Relevant Period, with recent innovative product launches in North America. It continued to expand its distribution network in the Relevant Period after entering Walmart in the first half of 2023 by leveraging the synergetic benefits of the combined PNC business. As of 30 September 2023, Zesty Paws and Solid Gold were present in more than 16,800 stores and 4,300 stores respectively across the United States.

Other territories: continued strong growth momentum in Asian expansion markets

Revenue contributed from other territories increased by 13.7% on a LFL basis in the Relevant Period, which was mainly attributed to robust growth in Asian markets, including our expansion markets of Hong Kong SAR, Southeast Asia, India and the Middle East. We maintained our high market share rankings in most of these markets.

We also strengthened the international presence of our IMF business, as we continue to gradually build recognition and trust for developing innovative and more specialised IMF products. In the third quarter of 2023, we launched the ‘Inostime’ IMF series in France, a new generation of IMF product enriched with Lactopontin (LPN) — a key protein in breast milk — leveraging our leading position in the organic and goat milk IMF categories sold in French pharmacies. Given Biostime’s strong brand recognition in pharmacies, we expect ‘Inostime’ will start making a significant contribution to our top-line in France in 2024. During the Relevant Period, we maintained our No. 1 positions in the organic IMF category and the goat milk market category in the French pharmacy channel, with market shares of 42.3% and 41.6% respectively⁹.

Healthy liquidity position

As of 30 September 2023, our cash balance stood at RMB2.1 billion as we maintained a healthy level of cash conversion that allowed us to further shrink our balance sheet and sustain a continuous dividend payout. Following our successful bond refinancing earlier this year, we remain on track towards deleveraging our balance sheet even further in the coming years. 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 non-RMB denominated debt instruments until maturity through cross-currency swaps, interest rate swaps and natural hedges.

⁹ According to research statistics by GERS, an independent research company, market share data for the past twelve months as of 30 September 2023.

Full-year outlook: Current strong growth rates of ANC and PNC to continue, amid longer-than-expected headwinds impacting BNC Infant Milk Formula Business

We remain fully committed to the growth, globalisation, and diversification of our ANC, BNC, and PNC businesses by pursuing organic growth strategies in our stronghold markets and new markets.

We expect to maintain our solid level of top-line growth for the full 2023 Financial Year, compared to the 2022 Financial Year, through the strong and sustained growth momentum of our ANC and PNC pillars.

In mainland China, we expect to maintain the current growth levels of our ANC business over the full year, driving growth through expansion and innovation while seeking to expand and leverage our No. 1 e-commerce market share position. We intend to grow further in the cross-border e-commerce (“**CBEC**”) market, maintain our strong double-digit growth rate in the normal trade channel and further develop Swisse’s product portfolio across Swisse Core, Swisse Plus+, Swisse Me and Little Swisse.

Within our BNC business in mainland China, the current market headwinds impacting our IMF segment are likely to continue. However, the weakness in our IMF segment will be partially offset by the performance of our probiotics and nutritional supplements segment, as we build further on our leading market position by growing our infant and kids range and expanding our market share in other supplements categories, including DHA, calcium, gummies, and functional and innovative probiotics products.

We will continue to progressively grow our PNC business in mainland China through category-focused innovations while strengthening the leadership of Solid Gold by driving market share growth in the premium cat food category.

In ANZ, we will further bolster our domestic leadership, driving growth in our core categories of immunity, beauty nutrition and general wellness that cater to the needs of domestic customers, while steadily growing sales in our export channel.

In North America, we are focused on expanding Zesty Paws’ leadership in North America, leveraging on its product superiority in the pet supplement category. We will further build up the growth of Solid Gold through additional product launches targeting the super-premium category and by focusing on e-commerce and selective retail channels.

As we commit to our future growth and globalisation, we will continue to prioritise our ESG (“**Environmental, Social, and Governance**”) initiatives. As part of our commitment to sustainability, we are actively working towards achieving B Corp certification by 2025. In September, the Hong Kong Quality Assurance Agency (HKQAA) upgraded our Sustainability Performance rating from ‘A’ to ‘A+’, underscoring our unwavering dedication to sustainable practices and responsible business operations across our Group.

On 1 September 2023, we welcomed our new CEO, Mr. Camillo Pane, to H&H's One Big Team. Under his leadership, we will continue to strive towards our vision of becoming a global leader in premium wellness and nutrition, leveraging our iconic brands, energised employees, and strong innovation pipeline to drive sustained profitable growth over time. Further, we will build on the good progress we have made year-to-date to deliver on our target of solid LFL net revenue growth and, more importantly, healthy and sustainable profitability in the 2023 full year. For more information of Mr. Camillo Pane's background and experience, please refer to the announcement of the Company published on 28 May 2023.

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

Hong Kong, 1 November 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.