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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)**

### **UNAUDITED OPERATIONAL STATISTICS FOR THE THREE MONTHS ENDED 31 MARCH 2024**

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 2024 (the “**Relevant Period**”).

- In the three months ended 31 March 2024, total revenue decreased by 8.8% year-on-year on a reported basis (a decrease of 9.3% on a like-for-like (“**LFL**”) basis) to RMB2,871.4 million, mainly due to the decline in infant milk formula (“**IMF**”) sales following the transition to new ‘GB approved’ IMF ranges. However, we continued to gain market share in the super-premium IMF segment, achieving better sell-through sales than sell-in sales.
- Our Adult Nutrition & Care (“**ANC**”) segment maintained double-digit growth, driven by strong momentum in mainland China, Australia and New Zealand (“**ANZ**”) and other expansion markets. Our growth in mainland China outpaced overall market growth.
- Our Pet Nutrition & Care (“**PNC**”) segment slightly increased by 3.4% year-on-year on a reported basis (an increase of 0.3% on a LFL basis). The slower year-on-year growth was primarily attributed to Solid Gold’s product portfolio premiumisation and channel optimisation exercises.
- Continued revenue growth from high-margin and fast-growing nutritional supplements in our ANC, BNC and PNC business segments<sup>1</sup>, contributing 70.3% of our total revenue.
- We maintained a healthy level of liquidity with a cash balance of RMB2.1 billion. Additionally, we completed a RMB bond issuance and a USD bond tap, while also obtaining substantial credit commitments in the form of RMB and USD loans, to support the coming refinancing of our existing USD term loan and the extension of our debt maturity.

<sup>1</sup> Nutritional supplements include Biostime probiotic supplements, Biostime paediatric products, Swisse vitamin, herbal and mineral supplement (“**VHMS**”) products, and Solid Gold and Zesty Paws pet supplements.

## Revenue by product segment and geography (unaudited)

The unaudited consolidated revenue of the Company by product segment and geography for the three months ended 31 March 2024 for the Relevant Period is as follows:

	<b>For the three months ended 31 March</b>			
	<i>All financial data are unaudited and recorded in RMB million</i>			
	<b>2024</b>	2023	<b>Reported Change</b> %	<b>LFL Change<sup>2</sup></b> %
<b>Revenue by product segment</b>				
Nutritional Supplements	<b>2,018.7</b>	1,931.1	<b>4.5%</b>	<b>3.8%</b>
-VHMS products	<b>1,491.9</b>	1,281.5	<b>16.4%</b>	<b>16.2%</b>
-Paediatric probiotic and nutritional supplements	<b>223.5</b>	376.4	<b>-40.6%</b>	<b>-40.6%</b>
-Pet supplements	<b>303.3</b>	273.2	<b>11.0%</b>	<b>7.1%</b>
Infant Formulas	<b>625.0</b>	932.1	<b>-32.9%</b>	<b>-32.9%</b>
Others <sup>3</sup>	<b>227.7</b>	285.2	<b>-20.2%</b>	<b>-21.2%</b>
<b>Revenue by business segment</b>				
Adult nutrition and care products	<b>1,498.9</b>	1,310.9	<b>14.3%</b>	<b>14.1%</b>
Baby nutrition and care products	<b>909.6</b>	1,389.6	<b>-34.5%</b>	<b>-34.5%</b>
Pet nutrition and care products	<b>462.9</b>	447.9	<b>3.4%</b>	<b>0.3%</b>
<b>Revenue by geography</b>				
Mainland China	<b>1,846.0</b>	2,233.8	<b>-17.4%</b>	<b>-17.4%</b>
ANZ	<b>465.4</b>	396.2	<b>17.4%</b>	<b>16.8%</b>
North America	<b>390.1</b>	362.0	<b>7.8%</b>	<b>4.0%</b>
Other Territories	<b>169.9</b>	156.4	<b>8.6%</b>	<b>8.3%</b>
<b>Group Total</b>	<b><u>2,871.4</u></b>	<b><u>3,148.4</u></b>	<b><u>-8.8%</u></b>	<b><u>-9.3%</u></b>

<sup>2</sup> For illustrative purposes, the exchange rates of AUD1=RMB4.6995 and USD1=RMB7.1025, AUD1=RMB4.6712 and USD1=RMB6.8476 have been used for the preparation of the unaudited consolidated revenue of the Company for the three months ended 31 March 2024 and comparative figures for the same periods ended 31 March 2023, respectively.

<sup>3</sup> 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 double-digit growth in ANC segment despite high base**

Revenue from mainland China decreased by 17.4% year-on-year on a LFL basis in the Relevant Period with our ANC segment delivering double-digit growth. Mainland China remained our largest market, accounting for 64.3% of our total revenue during the Relevant Period, compared with 71.0% in the same period of last year.

Our ANC segment grew by 12.3% despite the high base effect following a one-off surge in demand post-COVID in the same period of last year and accounted for 63.5% of our total ANC segment sales. The ongoing growth of this segment was 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 as part of its mega-brand strategy to better capture demand for premium nutritional products from different consumer audiences. In the cross-border e-commerce ("CBEC") channel, which contributed 75.4% of our mainland China ANC revenue, sales grew by 16.5% on a LFL basis, supported by the launch of more innovative categories, continued consumer education and effective marketing. In the normal trade channel, sales grew slightly by 1.0% on a LFL basis, while retail scan sales grew by 29.8%<sup>4</sup>.

Swisse maintained its No. 1 position in the mainland China online VHMS market<sup>5</sup> and rose to become the No. 2 brand in the overall VHMS market<sup>6</sup>. We continued to capitalise fully on increasing consumer segmentation and penetration through our focused mega-brand strategy to cater to more diverse consumer audiences. Notably, Swisse Plus+, with its higher profitability, made a double-digit contribution to total ANC revenue in mainland China in the Relevant Period.

The 34.4% decline in sales of our IMF business in the Relevant Period was mostly attributed to the (i) ongoing systemic challenges being faced by the entire IMF industry in mainland China, which contracted by 12.2%<sup>7</sup>, and continued competitive intensity following from the new 'GB standards' transition; and ii) the need to gradually deplete old 'GB approved' IMF stocks in these channels that led to a lower sell-in during the Relevant Period, compared to a more moderate sell-through decline of 12.7%. Specifically, sell-through of our goat milk IMF declined by 38.0% as stocks of our older series of imported goat milk IMF ran out amid the delayed approval of our new 'GB' goat milk IMF series, while the decline in sell-through of our cow milk IMF was confined to 10.1%. However, we expanded our market share in the super-premium IMF segment, which rose from 11.7% to 12.8% and ascended to the No. 3 position<sup>7</sup>, despite the overall super-premium IMF segment in mainland China shrinking by 24.7% in the period.

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<sup>4</sup> According to research statistics by Early Data, an independent research company, market share data for the past twelve months ended 31 March 2024.

<sup>5</sup> 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 8.1% for the twelve months ended 31 March 2024 as compared with 7.8% for the twelve months ended 31 March 2023.

<sup>6</sup> According to research statistics by Kantar Consumer Panel, an independent research company, market share data for the past twelve months ended 31 March 2024.

<sup>7</sup> According to research statistics by Nielsen, an independent research company, market share data for the past twelve months ended 31 March 2024.

Due to the high base effect following a one-off surge in demand for probiotics in the same period of last year, sales of paediatric probiotic and nutritional supplements in mainland China decreased by 41.0% in the Relevant Period. However, within this category, sales of paediatric nutritional supplements grew by 159.5% and contributed 14.1% of total paediatric probiotic and nutritional supplements sales, driven by increasing demand for paediatric nutritional supplements, including for our innovative products such as probiotic gummies, DHA and calcium that support the physical and mental well-being of children, which have continued to strengthen Biostime's position as the leading paediatric nutritional supplement brand in mainland China.

Sales in our PNC segment fell by 15.1% in the Relevant Period, primarily due to the restructuring of Sold Gold in mainland China. This restructuring is part of our efforts to further premiumise the brand through channel optimisation and enhanced product offerings to improve its profitability. A notable example is our entry into the rapidly growing pet nutritional supplements category, with the launch of Solid Gold fish oil in March 2024. Despite the restructuring, Solid Gold maintained its No. 2 position in mainland China's online premium cat dry food category<sup>8</sup>, with distribution reaching over 9,900 pet stores and pet hospitals in the offline Chinese market as of 31 March 2024.

#### **ANZ: healthy growth with double-digit expansion in domestic channel**

In the Relevant Period, we sustained a healthy growth rate in the ANZ market, with sales expanding by 16.8% on a LFL basis. Our domestic channel experienced double-digit growth, supported by the industry's continued expansion, as well as ongoing product innovation and premiumisation efforts. Notably, Swisse maintained its No. 1 position in the overall Australian VHMS market and expanded its market share, which grew from 11.3% to 12.2% year-on-year in the Relevant Period<sup>9</sup>. Additionally, our Swisse gummies range remained a key driver of momentum, capturing No.2 market share of 14.9%<sup>10</sup>.

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<sup>8</sup> According to research statistics by SmartPath, an independent research company, market share data for the past twelve months ended 31 March 2024.

<sup>9</sup> Based on total market unit sales, according to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 31 March 2024.

<sup>10</sup> According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 31 March 2024.

## **North America: normalised growth after mass offline expansion**

Revenue in North America expanded by 4.0% on an LFL basis in the Relevant Period as we continued to benefit from the well-established pet nutrition premiumisation and pet humanising trend, and the expanding pet population.

Sales of Zesty Paws grew by 5.5% on a LFL basis in the Relevant Period, comparing against a high base effect following its rapid offline channel expansion in 2023 into prominent retailers such as Walmart, Target, PetSmart, CVS, Tractor Supply and independent pet stores, through which it continued to reach a broadening consumer base. During the Relevant Period, Zesty Paws rose to become the No.1 position in the pet supplements category in the retail channel with a market share of 10.4%<sup>11</sup>, as well as its No.1 positions on Amazon<sup>12</sup> and Walmart<sup>13</sup>.

Solid Gold sales experienced a slight decrease of 2.0%, attributed to our ongoing channel optimisation and portfolio premiumisation efforts aimed at driving long-term growth. As of 31 March 2024, Zesty Paws and Solid Gold were present in more than 17,000 stores and 4,500 stores, respectively, across the US.

## **Other territories: strong growth momentum in expansion markets**

Revenue from other territories increased by 8.3% on a LFL basis in the Relevant Period, driven mainly by robust growth in our expansion markets in Italy, Hong Kong SAR, Thailand, India and the Middle East. We sustained our market share rankings in most of these markets through the expansion of our product portfolio and ongoing distribution gains across key markets.

We also continued to expand the international presence of our IMF business outside of mainland China, building recognition and trust around innovative and more specialised IMF products. 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 41.0% and 42.2% respectively<sup>14</sup>.

We have initiated Zesty Paws' expansion into the UK, Europe and Southeast Asia. We will continue to drive growth in these markets in the coming quarters.

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<sup>11</sup> According to research statistics by NielsenIQ Byzzer, an independent research company, market share data for the 52 weeks period ended 30 March 2024.

<sup>12</sup> According to research statistics by Stackline, an independent research company, market share data for the 52 weeks period ended 30 March 2024.

<sup>13</sup> According to research statistics by NielsenIQ Byzzer, an independent research company, market share data for the 52 weeks period ended 30 March 2024.

<sup>14</sup> According to research statistics by GERS, an independent research company, market share data for the past twelve months ended 31 March 2024.

## **Healthy liquidity position**

As of 31 March 2024, our cash balance stood at RMB2.1 billion, reflecting our commitment to maintaining a healthy level of cash conversion, which enables us to deleverage our balance sheet.

From 1 January 2024 to 17 May 2024, we have been actively diversifying our sources of fundings and securing additional liquidity. During this period, we completed a RMB bond of RMB500 million and a USD bond tap of USD120 million; we obtained substantial credit commitments in the form of RMB and USD loans for the coming refinancing of the existing USD term loan. These initiatives will support our refinancing and the optimisation of our capital structure. As part of our proactive management of our debt maturity profile, on 29 April 2024, we voluntarily prepaid USD235 million of our existing USD term loan, which was scheduled to mature in June 2025. The repayment reduced the outstanding balance to USD749 million.

## **Full-year outlook: nutritional supplements remain a key growth driver**

We remain fully committed to driving growth in high-margin, fast growing nutritional supplements across our regions.

In mainland China, we expect Swisse to maintain its No. 1 position in the online market and gain further market share in the normal trade and overall markets, pushing forward its mega-brand strategy to capitalise on evolving consumer segmentation trends. Within our BNC segment, we expect the sell-in of our IMF business in mainland China to stabilise in the second half of 2024, supported by our competitive range of innovative ‘GB-approved’ super-premium products with healthy profitability. We will also strengthen Biostime’s status as the leading paediatric nutritional supplement brand in mainland China with our existing range of innovative products and with new product launches.

In ANZ, we expect to gain further market share as we bolster Swisse’s leadership position in the domestic channel, while pursuing higher growth and improved profitability for Swisse in other territories in Asia and Europe.

In North America, we will continue to expand Zesty Paws’ leadership through our omni-channel strategy, while also seeking expansion opportunities for Zesty Paws in new markets including the UK, Europe and Asia.

For Solid Gold, we will continue to optimise the product portfolio and channels in both North America and mainland China to drive its long-term profitability, recognising that its short-term performance may be impacted.

Finally, we are committed to deleveraging our balance sheet and optimising our capital structure. This includes extending the maturity of our debt instruments where possible.

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 six months ending 30 June 2024, 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 May 2024

*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, Mr. Luo Yun and Mrs. Mingshu Zhao Wiggins; and the independent non-executive directors of the Company are Mr. Tan Wee Seng, Mrs. Lok Lau Yin Ching and Professor Ding Yuan.*