

[For immediate release]



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)

2017 Interim Results Announcement

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**Total revenue up 18.1% to RMB3,551.4 million; Adjusted EBITDA for the period up 25.1% to RMB1,061.8 million*

**BNC sales supported by strong sales momentum for premium IMF products and growing revenue from probiotics*

**ANC sales recover following clarity on incoming CBEC regulation in China*

Financial Highlights

RMB'000 unless otherwise stated	For the six months ended 30 June	
	2017	2016
Revenue	3,551,415	3,008,304
Gross profit	2,315,688	1,928,108
Adjusted EBITDA ¹	1,061,794	849,016
Profit for the period	396,630	404,892
Basic earnings per share	RMB0.64	RMB0.57

(22 August 2017, Hong Kong) **Health and Happiness (H&H) International Holdings Limited** ("H&H Group" or the "Company", together with its subsidiaries, the "Group"; stock code: 1112), a global premium family nutrition and wellness provider, announced its interim results for the six months ended 30 June 2017.

The Group's revenue grew strongly during the first half of the year, increasing 18.1% to RMB3,551.4 million compared to the corresponding period of last year, with its baby nutrition and care ("BNC") segment and adult nutrition and care ("ANC") segment contributing approximately 58.7% and 41.3% of total revenue, respectively. Adjusted EBITDA for the period was RMB1,061.8 million, an increase of 25.1% year-on-year. Net profit for the six months ended 30 June 2017 remained relatively stable at RMB396.6 million compared with the corresponding period of last year, despite additional finance costs incurred for senior notes issued to complete the acquisition of the minority interest in Swisse Wellness Group Pty Ltd ("Swisse") in the first half of 2017.

During the period, the Group completed the acquisition of the remaining 17% minority interest in Swisse and subsequently accelerated its integration plans by bringing all of its businesses together under a new Group name that reflects its new corporate mission, vision and positioning as an all-round premium nutrition and wellness provider, with two equally strategic segments: BNC and ANC. The Group also consolidated its current businesses under four major brands, including Biostime™, Swisse™, Healthy Times™ and Dodie™, as it focused on premium nutrition and lifetime wellness.

¹ EBITDA minus exchange gain and fair value gain on derivative financial instruments, plus fair value losses on derivative financial instruments, one time provision related to business restructuring and one-time expense paid to the original shareholders of Swisse on some tax refund

Revenue derived from the BNC business increased by 20.9% during the first half of 2017, compared to the corresponding period of 2016, as the result of robust growth in both infant milk formula ("IMF") and probiotics supplements. The Group saw strong sales momentum for its premium and super premium IMF series, which grew 18.3% compared to the same period of last year due to strong branding, overall market growth, consolidation and premiumization.

According to Nielsen, an independent market research company, the Group's share of the overall IMF market in China was 5.5% for the twelve months ended 30 June 2017. The market share of Biostime™, the Group's flagship IMF brand, increased slightly, while the market share of mid-tier Adimil™ branded IMF products weakened compared to the same period of last year. Consequently, the Group's overall market share was down slightly compared with 5.8% for the twelve months ended 30 June 2016.

In the first half of 2017, the Chinese IMF market showed some signs of recovery as the industry continued to respond to the new formula registration rules that will soon be imposed by the Chinese government. In particular, the level of competition in the market started to stabilise as small-scale brands exited the market, which resulted in less discounting and more rational pricing strategies – a development that will continue to benefit larger IMF players.

The sales momentum of the Group's probiotics products segment remained strong with revenue growth of 72.9%, compared to the corresponding period of 2016, as a result of rising demand due to heightened awareness in China of the benefits of probiotics, effective marketing initiatives, as well as the introduction of a high profile brand ambassador for the first time.

The Group's ANC business is led by its wholly-owned subsidiary Swisse, a leading provider of VHMS products. Despite the high base for the first four months of 2016 prior to the cross-border e-commerce ("CBEC") regulatory change in China, the ANC business still managed to grow 14.2% (5.7% on a currency-adjusted basis) during the six months under review compared to the corresponding period of 2016. The growth was mainly driven by strong sales momentum in the second quarter of 2017 in both the Chinese and Australian markets, as well as further clarity on the incoming CBEC regulation. This clarity was provided in a published statement by the Chinese regulator in March 2017, which stated that any commodities imported through CBEC should be considered as personal goods, therefore implying that they do not fall under the normal trade rules. As a result, sales of Swisse products realized through CBEC following the announcement, both in Australia and China, were strong and above the Group's original expectations.

On 8 April 2017, the Group officially launched Swisse's normal trade business in China, leveraging its new and existing nationwide retail network, starting with certain hero products such as Hair, Skin and Nails (HSN) and Cranberry Concentrate in liquid and effervescent forms. The Group believes that this expansion of Swisse's China business, which builds on its existing CBEC business in the country, will strengthen Swisse's brand awareness among Chinese consumers and further broaden its customer base.

To this end, the Group also invested significantly in sophisticated marketing campaigns and sponsorship activities, in partnership with major e-commerce platforms in China. These included: the Super Brand Day Campaigns with Tmall.hk, JD.com, VIP.com and NetEase Kaola.com; Live Show for 618 Promotional Campaign with JD.com; and sponsorship of the Color Run™ in cities across China. At the global level, Swisse entered into an international partnership agreement with the Scuderia Ferrari F1® Team in March 2017, the most successful Formula 1 team in history, boosting its brand awareness worldwide. It also launched multiple consumer engagement campaigns across different markets, featuring its aspirational ambassadors, premium ingredients and proven products.

According to research statistics by IRI, an independent market research company, Swisse continued to retain its leading position in the Australian vitamin, herbal and mineral supplements ("VHMS") market with 15.8% market share for the twelve months ended 30 June 2017, remaining stable compared with 15.9% for the twelve months ended 31 March 2017.

Looking ahead, the Group will continue to prioritise the integration of its four brands under its new mission and vision in order to further enhance their growth potential and extract more synergies and operational efficiencies, particularly in supply chain, distribution, research and innovation, finance, customer relationship management ("CRM"), corporate culture and personnel capability. The Group anticipates great opportunities for sustainable growth within its BNC and ANC businesses, despite ongoing challenges posed by competition and regulatory changes.

As the Chinese IMF market further consolidates, the Group will continue to step up its investment in branding and marketing activities, particularly for the Biostime™ brand, in order to strengthen its market positioning in the premium and super premium segment. The Group will also ramp-up its celebrity-endorsement activities following the recent appointment of Chinese actor, Liu Ye (劉燁) and French movie star, Juliette Binoche as the new brand ambassadors for Biostime™. Ahead of the effective date of the new IMF registration rules, the Group has applied to register five IMF series with the China Food and Drug Administration ("CFDA"), for which it has already gained approval for four of these series, including the existing premium and supreme series (renamed as the β -star and π -star series) under the Biostime™ brand, the organic series under Healthy Times™, as well as the Manle™ series under the Adimil™ brand. The Group expects that the remaining formula series submitted will fully meet the stringent requirements set by the authorities and will be approved within the second half of this year.

The Group has also commenced the process for filing vitamin and mineral supplements with the CFDA, following the official release of guidelines in May 2017, which will enable Swisse to sell a wider and more compelling range of products in the Chinese normal trade market, starting from next year. The Chinese government also released registration procedures for health food products in July 2017, in response to which the Group has been subsequently preparing application documents for its functional food products to broaden the availability of Swisse's range of food supplements in China.

To facilitate the expansion of the Swisse normal trade business and distribution of Swisse products in the China market, the Group will further leverage its existing nationwide distribution network by utilizing its sales teams, distribution systems, store networks and CRM systems. This will help accelerate the expansion of the brand and the exposure of its products within the fast-growing VHMS market in China. Furthermore, the Group will step up investment in marketing initiatives, such as endorsements by well-known Chinese celebrities, to support active sales and improve consumer awareness.

Going forward, the Group will expand its global business footprint through the implementation of new initiatives in R&D, brand building and marketing. This included the opening of the first European office of the Biostime Institute for Nutrition and Care ("BINC") in Geneva, Switzerland in May 2017. The BINC will offer sustainable scientific support that underpins the premium quality of the Group's products while boosting its R&D capacity through partnerships with world-class research institutions in Europe, and laying the groundwork for BINC to become a world-class international research body.

The Group will also continue to build its leadership credentials in the IMF and VHMS segments by bringing its high-quality products to new markets. It recently launched super premium organic IMF products under its Healthy Times™ brand in in the United States, as well as a Biostime™ branded organic series in France, leveraging its existing local sales resources to accelerate its international exposure. Meanwhile, building on the strong momentum of expansion into international markets in 2016 through its partnership with PGT, the Group is committed to widening the global presence of Swisse with recent launches in the Hong Kong and the United States markets. It expects to enter more markets in the coming year.

Mr. Luo Fei, Chairman and Chief Executive Officer of the Group said, "The first half of 2017 was an extremely active period for us and I am pleased about the significant progress we have made in growing our BNC and ANC businesses in our existing markets, as well as in new markets around the world. Following the integration of our business and brands under the new Group name, our main focus is now to ramp up our branding and marketing activities, as well as R&D, in order to grow our global presence and exposure, strengthen our competitiveness and make further progress towards becoming a global leader in premium nutrition and wellness."

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About Health and Happiness (H&H) International Holdings Limited

H&H Group is a global premium family nutrition and wellness provider. The company's family of products includes premium probiotic supplements for children, infant formulas, dried baby food products and baby care products. It also owns a 100% equity interest in Swisse Wellness Group Pty Ltd., which is a leading provider of vitamins, herbal and mineral supplements products in Australia. The shares of H&H Group have been listed on the Hong Kong Stock Exchange since 2010.

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