

*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)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 100% OWNERSHIP INTEREST IN SOLID GOLD**

#### **SUMMARY**

On 4 November 2020, the Buyer, an indirect wholly-owned subsidiary of the Company, entered into the Equity Securities Purchase Agreement with the Sellers and the Target Companies, pursuant to which the Buyer agreed to acquire and the Sellers agreed to sell the Target Equity for a cash consideration of USD163,000,000 (subject to adjustment).

Upon completion of the Acquisition, the Target Companies will become indirectly wholly-owned subsidiaries of the Company, and the financial results, assets and liabilities of the Target Companies will be consolidated into the financial statements of the Company.

The Target Companies are primarily engaged in sale of natural and holistic pet nutrition worldwide. Founded 45 years ago, Solid Gold is the United States' first holistic pet nutrition company, with a revenue of USD 55 million approximately for the twelve months ended 30 September 2020, and core markets in the U.S. and China. The Acquisition will enable the Group to establish Pet Nutrition & Care (PNC) as its third major business segment at an opportune time to enhance the future growth prospect of the Group.

#### **THE EQUITY SECURITIES PURCHASE AGREEMENT**

The Board is pleased to announce that, on 4 November 2020 (after trading hours), Health and Happiness (H&H) US International Incorporated (i.e. the Buyer), an indirect wholly-owned subsidiary of the Company, entered into the Equity Securities Purchase Agreement with the Sellers and the Target Companies, pursuant to which the Buyer agreed to acquire and the Sellers agreed to sell the Target Equity for a cash consideration of USD163,000,000 (equivalent to approximately HKD1,263,600,000) (subject to certain adjustments) in accordance with the terms and conditions of the Equity Securities Purchase Agreement.

The principal terms of the Equity Securities Purchase Agreement are set out below:

- Date:** 4 November 2020
- Parties:**
- (1) Health and Happiness (H&H) US International Incorporated, as the Buyer;
  - (2) Target Equity A Sellers, Target Equity B Seller and Target Equity C Seller as the Sellers;
  - (3) Solid Gold, VMG Blocker and Seller C Blocker as the Target Companies; and
  - (4) Sellers' Representative.
- Subject Matter:** Subject to the terms and conditions set forth in the Equity Securities Purchase Agreement, the Sellers agreed to sell and transfer, and the Buyer agreed to purchase and acquire from the Sellers 100% direct and indirect ownership interests in Solid Gold, by way of acquiring 73.2% direct ownership interest from Target Equity A Sellers, the entire equity interests in VMG Blocker holding 12.3% indirect ownership interests in Solid Gold, and the entire ownership interests in Seller C Blocker holding 14.5% indirect ownership interests in Solid Gold, for a cash consideration of USD163,000,000 (equivalent to approximately HKD1,263,600,000) which is subject to certain adjustments.
- Consideration:** The Consideration shall be an amount equal to the base amount of USD163,000,000 (equivalent to approximately HKD1,263,600,000) as adjusted for (i) any surplus or deficit of the actual net working capital of Solid Gold and its subsidiaries on the date of the Closing as compared to the amount of targeted net working capital as specified under the Equity Securities Purchase Agreement; and (ii) cash held by Solid Gold and its subsidiaries on the date of the Closing. The Sellers' transaction expenses and repayment of certain indebtedness of the Solid Gold and its subsidiaries are included in the Consideration, and will be deducted from the Consideration and settled by the Buyer on behalf of the Sellers, Solid Gold and the relevant subsidiaries of Solid Gold, respectively. Based on information available to the Company as at the date of this announcement, it is expected that the final Consideration will not exceed USD175,000,000.

The Consideration was arrived at after arm's length negotiations between the Buyer and the Sellers, having considered the net assets value, the profit and business prospects of the Target Companies, with an implied transaction multiple in terms of EV/EBITDA of 22.6 times based on Solid Gold's adjusted EBITDA for the twelve months ended 30 September 2020.

Having considered the factors taken into account by the parties in arriving at the Consideration, the Directors are of the view that the Consideration is fair and reasonable. The Consideration will be funded by the Group's internal resources.

**Conditions Precedent:**

The respective obligations of each party to the Equity Securities Purchase Agreement to consummate the transactions contemplated thereunder will be subject to the satisfaction, as of the Closing, of all of the following conditions, any one or more of which may be waived in writing at the option of the affected party:

- (a) no applicable Law shall exist or be enacted or promulgated by any governmental authority which would prohibit the consummation by any party of the transactions contemplated thereunder or cause such transactions to be rescinded;
- (b) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 shall have expired or otherwise been terminated and all approvals required pursuant to any other applicable antitrust or merger control laws or regulations of any governmental authority shall have been obtained;
- (c) no party shall be prohibited, by any order, ruling, consent, decree, judgment or injunction of any court, judicial authority or governmental authority, from consummating the transactions contemplated thereunder;
- (d) the representations and warranties made by the parties under the Equity Securities Purchase Agreement shall be true and correct as set forth therein;
- (e) no change, effect, event occurrence, state of facts or development shall have occurred since the date of the Equity Securities Purchase Agreement which individually or in the aggregate constitutes or would reasonably be expected to constitute a material adverse effect on the Sellers' ability to perform its obligations under the Equity Securities Purchase Agreement, or the business or condition (financial or otherwise) or results of operations, or assets or liabilities of Solid Gold and its subsidiaries, taken as a whole (subject to certain exceptions); and

- (f) the relevant parties have delivered the items they are respectively required to deliver and have performed and complied in all material respects with the obligations, conditions, covenants and agreements they are required to perform or comply with on or prior to the Closing.

**Closing and settlement of the Consideration:** The Closing shall take place on the third business day following the satisfaction or waiver of the conditions precedent set forth above (or on such other date as the parties may mutually agree in writing).

Upon completion of the Acquisition, the Target Companies will become indirectly wholly-owned subsidiaries of the Company, and the financial results, assets and liabilities of the Target Companies will be consolidated into the financial statements of the Company.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the development and commercialization of premium pediatric nutrition and baby care products and adult nutrition and care products. While Baby Nutrition and Care (“BNC”) and Adult Nutrition and Care (“ANC”) have been the two major business segments of the Group, one of the Group’s business strategies is to explore growth and expansion opportunities by entering into new nutrition business segments through acquisition of fast-growing and high-quality business targets.

The Directors are of the view that the Acquisition will enable the Group to establish Pet Nutrition & Care (PNC) as its third major business segment at an opportune time to enhance the future growth prospect of the Group, taking into account the following factors: (i) driven by the fast-growing popularity of pet ownership, demand growth in the pet nutrition market has been robust in major markets around the world, with pet ownership accelerating further in 2020 globally and a premiumization trend for brands offering quality and innovative pet nutrition products and solutions; (ii) PNC is a natural extension of family nutrition and care, as pets are now considered very much part of the family and the humanization of pets trend is set to continue globally; (iii) the opportunity to create synergy between the Target Companies and the current business segments of the Group by leveraging on the nutrition expertise and capability of the Group from its BNC and ANC segments over the years; (iv) the Acquisition will accelerate the Group’s globalization with a strong presence in the U.S. – the world’s largest PNC market; and (v) impressive international growth driven primarily by China.

Founded 45 years ago, Solid Gold is positioned as the United States’ first holistic pet nutrition company and has established a strong brand and premium range of high-quality nutrition solutions for cats and dogs, with a pioneering spirit of innovation at its core. The combination of Solid Gold’s attributes, the strong demand growth trajectory (driven by the rapidly increasing pet population and the trend in humanization of pets), and low penetration in emerging markets, makes this a very strong proposition.

The Directors consider that the Equity Securities Purchase Agreement was negotiated on an arm’s length basis, and are on normal commercial terms, which are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

## INFORMATION OF THE TARGET COMPANIES

Solid Gold is a limited liability company formed under the laws of Delaware, U.S. It is principally engaged in the sale of natural and holistic pet nutrition worldwide through its direct wholly-owned subsidiary. While the majority of its sales are in the U.S. market, Solid Gold also sells its products to the PRC, which accounted for close to 30% of its total sales for the twelve months ended 30 September 2020, through a distributor pursuant to an exclusive distribution agreement. Such exclusive distribution agreement will expire on 28 March 2023, subject to renewal. The Company will evaluate its strategy regarding the Target Companies' business in all geographical markets, including the PRC, and may change Solid Gold's distribution channels for different markets as and when appropriate after completion of the Acquisition.

VMG Blocker is a corporation incorporated under the laws of Delaware, U.S. It is a holding company principally engaged in holding interests in Solid Gold. VMG Blocker does not own any material assets other than its interests in Solid Gold.

Seller C Blocker is a limited liability company formed under the laws of Delaware, United States. It is a holding company principally engaged in holding interests in Solid Gold. Seller C Blocker does not own any material assets other than its interests in Solid Gold.

Immediately prior to the completion of the Acquisition, the ownership interest of Solid Gold will be held as to 73.2% by the Target Equity A Sellers in aggregate, 14.5% by Seller C Blocker and 12.3% by VMG Blocker.

Set out below is a summary of the financial information of Solid Gold, prepared in accordance with the generally accepted accounting principles in the U.S., for each of the financial years ended 31 December 2018 and 31 December 2019, respectively:

	<b>For the year ended 31 December 2018 (USD)</b>	<b>For the year ended 31 December 2019 (USD)</b>	<b>Twelve months ended 30 September 2020<sup>2</sup> (USD)</b>
Revenue	38,748,278	43,014,869	55,012,265
EBITDA <sup>1</sup>	(6,309,128)	620,479	7,217,779
Net profit/(loss) before tax	(6,742,822)	(248,296)	6,658,558
Net profit/(loss) after tax	(6,742,822)	(248,296)	6,658,558

*Note 1:* Earnings before interest, taxation, depreciation and amortization.

*Note 2:* 2018 and 2019 financials are audited financials, while twelve months ended 30 September 2020 financials are unaudited financials on adjusted basis.

Pursuant to the unaudited financial statements of Solid Gold, the net assets of Solid Gold as at 30 September 2020 was USD2,297,479.

Set out below is a summary of the unaudited financial information of VMG Blocker, prepared in accordance with the generally accepted accounting principles in the U.S., for each of the financial years ended 31 December 2018 and 31 December 2019, respectively:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>
	<i>(USD)</i>	<i>(USD)</i>
Net profit/(loss) before tax	(3,886,585)	(6,451,152)
Net profit/(loss) after tax	(3,886,585)	(6,451,152)

Pursuant to the unaudited financial statements of VMG Blocker, the net assets of VMG Blocker as at 30 June 2020 was USD5,436,137.

Set out below is a summary of the unaudited financial information of Seller C Blocker, prepared in accordance with the generally accepted accounting principles in the U.S., for each of the financial years ended 31 December 2018 and 31 December 2019, respectively.

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>
	<i>(USD)</i>	<i>(USD)</i>
Net profit/(loss) before tax	(159,458)	nil
Net profit/(loss) after tax	(159,458)	nil

Pursuant to the unaudited financial statements of Seller C Blocker, the net assets of Seller C Blocker as at 30 June 2020 was USD(158,458).

## **INFORMATION OF THE SELLERS**

The information of the Target Equity A Sellers are as follows:

New Solid Gold Corp. is a holding company principally engaged in holding interests in Solid Gold.

VMG Solid Gold Holdings, LLC is a holding company principally engaged in holding interests in Solid Gold.

Solid Gold Employee Holdings, LLC is a holding company principally engaged in holding interests in Solid Gold.

SGH Blocker, LLC is a holding company principally engaged in holding interests in Solid Gold.

The Other Sellers are certain individuals or trusts for certain individual beneficiaries, holding less than 1% of the ownership interest in Solid Gold in aggregate immediately before the Closing.

The Target Equity B Seller, VMG Tax-Exempt II, L.P., is a private equity fund engaged in holding interests in Solid Gold.

The Target Equity C Seller, SUM XXXV Holdings Limited, is a holding company principally engaged in holding interests in Solid Gold.

Based on information provided by the Sellers, the Sellers are institutional investors, current and former management or employees of Solid Gold, or entities controlled by such persons or trusts for the benefit of such persons. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the parties to the Equity Securities Purchase Agreement, other than the Buyer, and their respective ultimate beneficial owners are Independent Third Parties and have no other relationships with the Group and its connected persons.

## **INFORMATION ON THE GROUP**

### **The Group**

The Group is an all-round nutrition and care provider for the entire family, providing high-end pediatric and adult nutrition and care products through its established brands predominantly in China, Australia and New Zealand, and other countries around the world.

### **Health and Happiness (H&H) US International Incorporated**

The Buyer is a corporation incorporated under the laws of Delaware, U.S. It is a holding company incorporated for the purpose of holding the Target Equity and is an indirect wholly-owned subsidiary of the Company.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transaction under the Equity Securities Purchase Agreement exceed 5% but all of them are less than 25%, the Equity Securities Purchase Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but not subject to the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.



## DEFINITIONS

In this announcement, the following terms shall have the meanings as set forth below:

“Acquisition”	the acquisition of the Target Equity by the Buyer from the Sellers pursuant to the Equity Securities Purchase Agreement
“Board”	the board of directors of the Company
“Buyer”	Health and Happiness (H&H) US International Incorporated, a company incorporated under the laws of Delaware, United States and an indirect wholly-owned subsidiary of the Company
“Closing”	closing of the purchase and sale of the Target Equity under the Equity Securities Purchase Agreement
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Company”	Health and Happiness (H&H) International Holdings Limited (健合(H&H)國際控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Consideration”	the consideration of USD163,000,000 (equivalent to approximately HKD1,263,600,000) in cash, subject to certain adjustments at the Closing and to be paid by the Buyer to the Sellers for the transfer of the Target Equity pursuant to the Equity Securities Purchase Agreement
“Directors”	the director(s) of the Company
“EBITDA”	earnings before interests, taxation, depreciation and amortization
“Equity Securities Purchase Agreement”	The equity securities purchase agreement dated 4 November 2020 entered into among the Buyer, the Sellers, the Target Companies and the Sellers’ Representative
“EV”	enterprise value
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong



“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company and are not connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Other Sellers”	Bacani Living Trust, Bacani Legacy Trust, Bacani Descendants Trust, Gertrude L. McGill Trust, and Mr. Bob Rubin
“Seller C Blocker”	SGH Blocker, LLC, a limited liability company formed under the laws of Delaware, United States
“Sellers”	Target Equity A Sellers, Target Equity B Seller and Target Equity C Seller, collectively
“Sellers’ Representative”	VMG Solid Gold Holdings, LLC (in its capacity as such pursuant to the Equity Securities Purchase Agreement)
“Solid Gold”	Solid Gold Holdings, LLC, a limited liability company formed under the laws of Delaware, United States
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Solid Gold, VMG Blocker, Seller C Blocker and their subsidiaries
“Target Equity”	Target Equity A, Target Equity B and Target Equity C
“Target Equity A”	the 73.2% ownership interest of Solid Gold to be acquired by the Buyer from the Target Equity A Sellers pursuant to the Equity Securities Purchase Agreement
“Target Equity A Sellers”	New Solid Gold Corp., VMG Solid Gold Holdings, LLC, Solid Gold Employee Holdings, LLC and the Other Sellers, which own the Target Equity A prior to the Acquisition
“Target Equity B”	the 100% equity interest of VMG Blocker to be acquired by the Buyers from the Target Equity B Seller pursuant to the Equity Securities Purchase Agreement
“Target Equity B Seller”	VMG Tax-Exempt II, L.P., which owns the Target Equity B prior to the Acquisition
“Target Equity C”	the 100% ownership interest of Seller C Blocker to be acquired by the Buyers from the Target Equity C Seller pursuant to the Equity Securities Purchase Agreement

“Target Equity C Seller”	SUM XXXV Holdings Limited, which owns the Target Equity C prior to the Acquisition
“U.S.” or “United States”	United States of America
“USD”	U.S. Dollars, the lawful currency of the United States of America
“VMG Blocker”	VMG Solid Gold Blocker, Inc., a corporation incorporated under the laws of Delaware, United States
“%”	per cent

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

Hong Kong, 4 November 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Luo Fei, Mrs. Laetitia GARNIER and Mr. Wang Yidong; the non-executive directors of the Company are 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 Mr. Wang Can.*