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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 NINE MONTHS ENDED 30 SEPTEMBER 2018

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 2018. The following are the unaudited operational statistics of the Group for the nine months ended 30 September 2018, with comparative figures for the nine months ended 30 September 2017:

Revenue by product segment (unaudited)

The unaudited consolidated revenue of the Company by product segment for the nine months and for the three months ended 30 September 2018 and the comparative figures for the same periods ended 30 September 2017, is as follows:

	For the nine months ended 30 September			For the three months ended 30 September		
	2018	2017	Change	2018	2017	Change
	RMB million	RMB million	%	RMB million	RMB million	%
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenue by product segment						
Baby nutrition and care products	4,264.1	3,347.7	27.4%	1,485.3	1,261.2	17.8%
– Infant formulas	3,266.6	2,656.5	23.0%	1,173.3	995.2	17.9%
– Probiotics supplements	798.7	549.9	45.2%	244.7	212.1	15.4%
– Other pediatric products	198.8	141.3	40.7%	67.3	53.9	24.9%
Adult nutrition and care products	3,062.7	2,368.3	29.3%	1,259.7	894.7	40.8%
Group Total	7,326.8	5,716.0	28.2%	2,745.0	2,155.9	27.3%

Note:

- Revenue contributed from the adult nutrition and care (“ANC”) products segment increased by 36.6% on a currency-adjusted basis for the nine months ended 30 September 2018, and 48.7% on a currency-adjusted basis for the three months ended 30 September 2018.
- For illustrative purpose, the exchange rates of AUD1= RMB4.9332 and AUD1=RMB5.2114 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 2018 and the comparative figures for the same periods ended 30 September 2017, respectively.

During the nine months of 2018, the Group achieved robust revenue growth of 28.2% to RMB7,326.8 million as compared with the same period last year, with the baby nutrition and care (“**BNC**”) and ANC businesses contributing approximately 58.2% and 41.8% of total revenue, respectively.

Following the new registration rules, the Chinese infant milk formula (“**IMF**”) market sales momentum was sustained thanks to strong growth in the premium and super premium categories. However, the market remained intensely competitive as major brands scaled up investment in branding and channel development. Revenue derived from BNC segment increased by 27.4% for the nine months ended 30 September 2018 as compared with the corresponding period in 2017, which was mainly driven by growing demand for the Group’s super premium and premium IMF products with year-over-year growth of 24.0%. This growth was also underpinned by the Group’s leading position in the fast-growing premium and super premium categories, as well as the implementation of effective branding, channel and category strategies. Sales of the Group’s Biostime branded and Healthy Times branded IMF products increased by 20.5% and 202.4%, respectively. According to Nielsen, an independent market research company, the Group’s share of the overall IMF market in China increased to 5.9% for the twelve months ended 30 September 2018 compared with 5.5% for the twelve months ended 30 September 2017.

Meanwhile, the Group’s probiotic supplements demonstrated healthy growth of 45.2% compared with the same period last year, backed by comprehensive branding and marketing campaigns and strong demand from the continuously increasing user penetration of probiotic supplements among Chinese consumers.

As of 30 September 2018, the number of member retail outlets increased from 36,191 as of 30 September 2017 to 39,434, among which, the number of the Group’s VIP baby specialty stores increased from 26,188 to 29,070, supermarkets increased from 5,321 to 5,590, and VIP pharmacies increased from 4,682 to 4,774. As the Group continued to deepen its partnerships with key national and regional baby specialty store chains, the number of the baby specialty stores increased as these baby specialty store chains consolidate and expand their networks.

The Group continued to expand into complementary categories of BNC products. During the course of the third quarter of this year, the Group completed the acquisition of “Good Goût”, the fastest growing organic baby food company in France¹. This acquisition will enable the Group to better capture the strong growth momentum of the organic baby food segment in France, China and other international markets.

Note:

1. To the best of the knowledge of the Directors having made all reasonable enquiries, the subject company and the vendors in this acquisition are parties independent of the Company and its connected persons. The Directors confirm that as all the applicable percentage ratios under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in respect of this acquisitions were less than 5% and did not involve the issue of any securities by the Company, the acquisition did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

For the nine months ended 30 September 2018, revenue contributed from ANC products segment increased by 29.3% as compared with the corresponding period of last year (36.6% on a currency-adjusted basis). This strong momentum was mainly achieved by the rapid growth in the Chinese market, while at the same time, the Australian market continued to grow steadily. According to research statistics by IRI, the share of Swisse Wellness Group Pty Ltd (“Swisse”) in the Australian vitamin, herbal and mineral supplements (“VHMS”) market increased to 18.9% for the last twelve months ended 30 September 2018 as compared with 16.0% for the twelve months ended 30 September 2017.

Driven by continuous consumer demand in the Chinese market, the Swisse China business continued to demonstrate vigorous growth through new product launches, and the leveraging of comprehensive branding and marketing campaigns and collaborations with new celebrities and key opinion leaders (“KOLs”) to further increase the visibility of the brand. Last month, the Group launched two new supplements series: Swisse Ultinatal and Swisse Lifestyle, which aimed to capture new consumer trends in two fast-growing categories. This will deepen the Group’s product portfolio in China and enhance brand awareness across its Cross-border Ecommerce (“CBEC”) and normal trade channels. Active sales in China accounted for 37.1% of the total ANC revenue for the nine months ended 30 September 2018.

In line with its commitment to innovation and science, the Group has started the process of forming a new growth innovation fund wholly-owned by the Group, “NewH²”, which aims to invest up to a total of USD60 million in emerging and innovative technologies, product categories and business models. This initiative will enable the Group to leverage external innovation capabilities and entrepreneurial ventures to capture future growth opportunities. In connection with NewH², the Group entered into a licensing and co-development agreement with Relief Therapeutics Holding SA, a clinical-stage biotechnology company based in Switzerland, to develop a disruptive technology and products which are derived from whey and/or no-fat milk and have the potential to prevent allergies.

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. Differences may arise between such statistics and the data disclosed in audited report due to review and audit adjustments. **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, 30 October 2018

As at the date of this announcement, the executive Directors are Mr. Luo Fei, Mr. Wang Yidong and Mrs. Laetitia Marie Edmee Jehanne ALBERTINI ep. GARNIER; the non-executive Directors are Dr. Zhang Wenhui and Mr. Luo Yun; and the independent non-executive Directors are Dr. Ngai Wai Fung, Mr. Tan Wee Seng and Professor Xiao Baichun.