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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 2020**

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 2020.

- Total revenue grew 13.0% on a like-for-like basis<sup>1</sup> to RMB2,423.7 million amid the global pandemic
- Revenue in China<sup>2</sup> posted a solid growth of 19.4%, accounting for 81.6% of total Group’s revenue
- Strong cash balance and healthy cash flow ensure business continuity and future developments
- Overall margin pressure arising from foreign exchange fluctuations impacting our cost of goods sold and changes to product/channel mix especially due to Australian-based daigou activities throughout the first half of the year

During the three months ended 31 March 2020, our revenue grew 13.0% to RMB2,423.7 million compared to the same period of last year, mainly contributed from strong performance in both business segments in China despite challenges of COVID-19 in the first quarter.

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1. Like-for-like basis is used to indicate sales growth of this year compared with same period of previous year, excluding the impact from merger & acquisition and FX changes
  2. China mentioned in this announcement refers to Mainland China

Despite some operational challenges, we have proactively responded to consumer demand and adapted our business model during those periods, ensuring stable supply during the lockdowns imposed in our main markets. The global supply chain for our Baby Nutrition and Care (“BNC”) and Adult Nutrition and Care (“ANC”) businesses remain stable with limited disruption, while overall demand for our products has been mostly unaffected by the COVID-19 pandemic thanks to the defensive nature of our product categories.

### 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 2020, and the comparative figures for the same periods ended 31 March 2019, is as follows:

	For the three months ended 31 March			
	2020 RMB million (unaudited)	2019 RMB million (unaudited)	Reported Change %	LFL sales growth %
<b>Revenue by product segment<sup>3</sup></b>				
Baby nutrition and care products	1,731.8	1,494.6	15.9%	15.9%
<i>Infant formulas</i>	1,181.8	1,075.1	9.9%	9.9%
<i>Probiotics supplements</i>	390.0	289.9	34.5%	34.5%
<i>Other pediatric products</i>	160.0	129.6	23.5%	23.5%
Adult nutrition and care products	691.9	679.2	1.9%	6.7%
<b>Revenue by geography</b>				
China <sup>2</sup>	1,987.1	1,677.7	18.4%	19.4%
Australia and New Zealand (“ANZ”)	277.5	317.9	-12.7%	-8.5%
Rest of the world	159.1	178.2	-10.7%	-9.1%
<b>Group Total</b>	<b>2,423.7</b>	<b>2,173.8</b>	<b>11.5%</b>	<b>13.0%</b>

### China: still delivering robust revenue growth despite COVID-19

Revenue from China grew 19.4% year-on-year during the three months ended 31 March 2020, supported by the double-digit growth in both BNC and ANC businesses domestically, with the China market now accounting for 81.6% of our total revenue, compared with 77.2% same period of last year. This growth was achieved thanks to continued strong consumer demand for premium nutrition and care products in China, as well as preventive measures we took at the beginning of the COVID-19 outbreak, which enabled us to maintain normal operations and overcome some temporary disruptions.

3. For illustrative purpose, the exchange rates of AUD1=RMB4.5813 and AUD1=RM4.8035 have been used for the preparation of the unaudited consolidated revenue of the Company for the three months ended 31 March 2020 and comparative figures for the same periods ended 31 March 2019, respectively.

Within our BNC segment, revenue from our infant milk formula (“**IMF**”) business increased by 8.6% year-on-year, as we proactively shifted our branding, marketing and consumer engagement activities to digital channels in response to COVID-19 lockdown restrictions. Sales of our Biostime branded cow milk IMF products maintained moderate revenue growth, and our new goat milk IMF, which was successfully launched in November 2019, also continued to demonstrate robust growth and accounted for 5.0% of total IMF revenue in China. In the twelve months ended 31 March 2020, we ranked the fifth in the overall cow milk IMF market<sup>4</sup> in China at 6.2% for the twelve months ended 31 March 2020, which maintained stable compared with 6.2% for the twelve months ended 31 March 2019.

Our probiotic supplements segment experienced a pronounced uptick in demand during the three months under review, with revenue rising 36.3% year-on-year as consumers in China increasingly recognize the immune-enhancing benefits of probiotics following the COVID-19 outbreak. Revenue from other paediatric products segment grew by 82.3% year-on-year, driven by the strong performance of our Dodie diaper lines and our Good Goût baby and kids food range in China.

Within our ANC segment, active sales in China continued to rise, growing 32.3% year-over-year, with demand for Swisse’s immunity ranges spiking in response to rising consciousness around health and disease prevention following the COVID-19 outbreak. Overall ANC sales in China now accounted for 51.5% of total ANC revenue. For the twelve months ended 31 March 2020, Swisse continued to maintain its No. 1 position in China’s cross-border e-commerce (“**CBEC**”) market with a market share of 5.9%<sup>5</sup>.

#### **ANZ: further short-term challenges in daigou channel**

Revenue from the ANZ market was down by 8.5% year-on-year, on a like-for-like basis, in the three months ended 31 March 2020 as travel restrictions caused by the COVID-19 pandemic further challenged daigou operators in the short term with domestic demand remaining stable. At this point, the production for our supplements and goat milk IMF manufactured in Australia is experiencing no major disruptions.

For the twelve months ended 31 March 2020, Swisse’s share of the Australian vitamin, herbal and mineral supplements (“**VHMS**”) market reached 14.7%<sup>5</sup>.

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4. According to Nielsen, an independent market research company, the market share has been updated due to its new expanded coverage in downtown boundaries and rural areas in the Chinese market. Therefore, our ranking of market share has been elevated from the seventh to the fifth in the overall cow milk IMF market in China following this update.

5. According to research statistics by Earlydata, an independent data provider, Swisse ranked first in the China CBEC market with a market share of 5.9% for the twelve months ended 31 March 2020, compared with 5.8% for the twelve months ended 31 March 2019.

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 was 14.7% for the last twelve months ended 31 March 2020 as compared with 17.5% for the twelve months ended 31 March 2019.

## **Rest of the World: mixed performance across different regions**

Revenue attributed to the Rest of the World fell by 9.1% year-on-year in the three months ended 31 March 2020, which was mainly attributable to a sales decline in the Hong Kong SAR market due to the COVID-19 pandemic. Despite this, we saw sustained moderate growth momentum for our IMF, baby food ranges and immunity-related products in the Netherlands, Italy, France and United Kingdom. We continued to roll-out in new markets as planned: Swisse was launched in India on Amazon and more than 10 other major e-commerce platforms, while Biostime's probiotics range was introduced in Singapore in both online and offline channels.

## **Strong cash balance and healthy cash flow support future developments**

Thanks to our defensive product portfolio and agile business model, we generated positive cash flow and maintained a strong liquidity position during the three months ended 31 March 2020. As a preventive measure in response to market volatility, we drew down USD50.0 million from our revolving credit facility in March to build up an additional liquidity buffer. As of 31 March 2020, our cash balance stood at RMB3.08 billion, which is RMB860.0 million higher than RMB2.22 billion for the same period last year.

Furthermore, our long-term currency exposure was fully hedged in the second half of 2019, and the majority of currency exposure related to the purchase commitment with our contract manufacturers has also been hedged since the beginning of 2020.

## **Moving forward**

While the global supply chain for our BNC and ANC segments are currently operating normally, additional lockdowns and market volatility could put further pressure on our operations. Our gross profit may be affected by changes to our product and channel mix, as well as from foreign exchange fluctuations and increased logistic costs that may increase the cost pressures faced by our manufacturers. However, we are building sufficient safety stock to ensure business continuity and are closely monitoring the overall supply situation to optimize our operational efficiency.

In China, we will continue to strive to deliver sustainable growth despite the limited visibility, with new product development initiatives and channel expansion remaining the two pillars of our growth strategy for 2020. Following the successful launch of the goat milk IMF series, we will continue to tap further growth momentum in the China market and reach more consumers with specific needs with our newly approved IMF series, Dodie diaper range, and Good Goût baby and kids food range.

The COVID-19 pandemic has opened up a new opportunity for our ANC business to capture rising global demand for immunity-boosting health products. During the three months ended 31 March 2020, sales of Swisse’s immunity range grew 93.4% globally year-on-year, and accounted for 38.2% of total ANC revenue. Going forward, we will continue to prioritise obtaining new “blue hat” licenses from the State Administration for Market Regulation (“SAMR”) to introduce more Swisse products into normal trade channels in China, especially pharmacies, while maintaining Swisse’s current growth momentum in our CBEC channels.

Outside of mainland China, travel restrictions throughout the first half of the year have been suppressing daigou activities in the ANZ and other markets, putting pressure on our sales in these markets and causing disruption to our sales channel, which in turn will be one of the factors that negatively affect our margins. Furthermore, the potential weakening Australian dollar may reduce the ANZ market’s contribution of revenue and EBITDA when consolidated into the Group’s financial statement, which is denominated in RMB.

In response to the COVID-19 pandemic, we stand united around our mission to make people healthier and happier. Together with our teams, our customers and our suppliers, we will continue to successfully navigate the most serious global health crisis our world has seen in decades. Hand in hand, we will move forward beyond this current challenges with our products portfolios being in resilient categories, and we are setting our eyes on growth opportunities from future rising demand, as our range of immunity-boosting health products are gaining momentum in both our BNC and ANC business segments.

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, 8 May 2020

*As at the date of this announcement, the executive Directors are Mr. Luo Fei, Mr. Wang Yidong and Mrs. Laetitia Garnier; the non-executive Directors are Dr. Zhang Wenhui and Mr. Luo Yun; and the independent non-executive Directors are Mr. Tan Wee Seng, Mrs. Lok Lau Yin Ching and Mr. Wang Can.*