

[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)

2019 Annual Results Announcement

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**Total revenue grew 7.8% to RMB10,925.2 million despite challenging environment*

**BNC business grew by 17.8% supported by strategic branding, product and channel strategies*

**ANC business supported by 29.7% growth in China¹, which overtook ANZ to become the largest contributor of ANC revenue*

Financial Highlights

RMB million unless otherwise stated	For the 12 months ended 31 December		% Change
	2019	2018	
Revenue	10,925.2	10,132.5	7.8%
EBITDA	2,222.2	2,158.6	2.9%
Adjusted EBITDA ²	2,235.4	2,480.7	-9.9%
Net profit	1,005.0	843.1	19.2%
Operating cash flows	2,175.5	2,409.7	-9.7%
EPS (RMB)	1.57	1.32	18.9%

(23 March 2020, 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 annual results for the year ended 31 December 2019.

1) Overall Financial Performance

In 2019, the Group confronted external regulatory changes, fierce market competition and slowing economic growth. Despite these challenges, the Group achieved moderate revenue growth, while maintaining a healthy EBITDA margin and strong operating cash flow. Besides, the Group continued to invest in new markets and products that will support its long-term growth and sustainable profitability.

During the year under review, the Group's revenue grew 7.8% to RMB10,925.2 million, compared with the previous year, with the Baby Nutrition and Care ("BNC") and Adult Nutrition and Care ("ANC") businesses accounting for approximately 63.5% and 36.5% of total revenue respectively. Adjusted EBITDA for the year under review decreased by 9.9% to RMB2,235.4 million, which was mainly attributed to a sales decline in the Australia and New Zealand ("ANZ") market, as well as the Group's continued investment in new markets and products. Reported EBITDA increased by 2.9% to RMB2,222.2 million thanks to a reduction of the special adjustment amount. The reported net profit increased 19.2% to RMB1,005.0 million year-over-year and reported EPS increased by 18.9% to RMB1.57. This strong growth was mostly attributed to improved operational efficiency, lower finance costs and the reduction of several

¹ China mentioned in this press release refers to Mainland China.

² EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA = EBITDA – Non-cash gains of RMB2.9 million for the year ended 31 December 2019 (2018: losses of RMB305.9 million) + Non-recurring losses of 16.1 million for the year ended 31 December 2019 (2018: losses of RMB16.2 million)

one-off adjustment items.

2) Baby Nutrition and Care

Globally, revenue derived from the BNC business reached RMB6,933.8 million, increasing 17.8% compared to the previous year, which was in line with the Group's expectation of reaching double-digit growth in both China and other international markets. This growth was supported by the consistent implementation of the Group's strategic initiatives, including reinforcing its digital branding, targeting premium and post 90's consumers; various initiatives that supported the continued robust performance of the Group's core infant milk formula ("**IMF**") series and the launch of new products, particularly in the super premium category; and strategic collaborations with key customers in both the Group's online and offline channels, leveraging synergies across its BNC product portfolios.

The IMF market in China remained intensely competitive due to the nation's declining birth rate, with market growth slowing markedly to 7.6% during the twelve months ended 31 December 2019. However, premium and super premium segments were still growing at double-digit levels. Thanks to the Group's strong market position in this area, revenue attributed to the IMF segment increased by 12.5% year-over-year.

In particular, the Group's Healthy Times IMF series outperformed the wider organic IMF market with sales growing 33.8%, accounting for 5.6% of overall IMF revenue. Meanwhile, despite only launching in the China normal trade market in the final quarter of 2019 (having already launched in the Hong Kong SAR, on the Group's Cross-border E-commerce ("**CBEC**") platforms and the ANZ market earlier in the year), the Group's new goat milk IMF series posted revenue of RMB146.5 million and accounted for 2.9% of the Group's total IMF business. This new series – called "Cute Betty's" under the Biostime brand – has already received positive feedback from consumers keen to experience the health benefits of goat milk, demonstrating the category's potential as a future growth driver.

According to Nielsen, an independent market research company, the Group's share of the overall IMF cow milk market in China was resilient at 5.9% for the twelve months ended 31 December 2019.

Outside of China, the Group rapidly expanded its presence in other IMF and baby nutrition markets, especially Australia and France. At the beginning of 2019, it launched Biostime's organic IMF products and probiotics products in the ANZ market and appointed Miranda Kerr, a supermodel, an organic foods advocate and mother of two children, as a brand ambassador. The Group later introduced a goat milk IMF in the Australia and New Zealand ("**ANZ**") market, undertaking a multi-layered campaign to drive awareness and educate consumers about the product's nutritional benefits. In France, the largest organic baby food market in Europe, sales of Biostime's organic IMF series continued to grow robustly and has achieved a thriving following among local mothers. Consequently, the series was the highest-selling organic infant formula brand sold in French pharmacies in January 2020, according to GERS, an independent research data provider.

The Group's probiotics product segment also grew well with sales increasing 20.1% year-over-year to RMB1,255.0 million. This growth was driven by leveraging Biostime's position as the world's number one pediatric probiotic supplements brand, as well as the introduction of a new Biostime-branded probiotic liquid drop in several markets, including China, in the second half of 2019. This new product format greatly supported market penetration and is favored by young mothers for its convenience.

The Group's other pediatric product segment grew robustly, with sales increasing 81.2% compared to the previous year. Dodie (the Group's French babycare brand) achieved revenue growth of 70.4%, which was mostly driven by the brand's robust performance in China, following the launch of new diaper categories and strong sales revenue achieved in both online and offline markets. According to Nielsen, an independent market research company, Dodie ranked third in China's super premium-tier taped diaper market, with a market share of 10.2% for the twelve months ended 31 December 2019.

The growth of the Group's other pediatric product segment was also boosted by the consolidation of

Good Goût's (the Group's French infants and kids healthy food brand) sales into the Group's overall sales in 2019, which rose 175.2% compared to the previous year. This in turn was supported by the appointment of French football celebrity, Kylian Mbappé as a brand ambassador and the launch of Good Goût products in the Chinese online and offline markets, where it is now well positioned to capture a share of China's fast-growing infants and kids healthy food market.

3) Adult Nutrition and Care

The overall performance of the Group's ANC business was weaker than expected in 2019. Revenue derived from the Group's ANC business reached AUD832.3 million, a decrease of 3.1% on a currency-adjusted basis compared to the previous year. The weaker performance was mainly attributed to the sales decline in the ANZ market, which resulted from the new E-commerce regulations in China that impacted daigou traders who destocked inventory and reduced trading.

As a result of this, the Group has been working closely with its distributors and retailing partners to drive further consumer demand in the ANZ market, while also engaging daigou channels with continuous product and brand education. The Group is also focusing heavily on introducing new products that will drive incremental demand growth in the ANZ market. Consequently, according to research statistics by IRI, an independent market research company, Swisse's share of the Australian vitamin, herbal and mineral supplements ("VHMS") market remained resilient at 15.6% for the twelve months ended 31 December 2019.

Due to the Group's earlier strategy of kicking off active sales and forging partnerships with major CBEC platforms, the Group's ANC business in China continued to maintain its double-digit growth momentum, with revenue growing 29.7% year-over-year and active sales revenue gradually increasing throughout the year. In 2019, China overtook the ANZ market to become the largest contributor of ANC revenue, accounting for 47.7% of total ANC revenue during the year under review.

This strong result in China was driven by a number of factors, including continued consumer engagement; successful brand and product campaigns on major ecommerce platforms, especially during the Double 11 Campaign and "618" E-commerce shopping festivals; and the appointment of Chinese brand ambassadors Dilraba and Chun Wu. Sales through physical stores also expanded significantly with the normal trade business growing 52.3% during the year under review, accounting for approximately 10.7% of total Swisse sales in China. Swisse products were available for sale in 22,369 offline retail stores across China by the end of 2019, as the Group widened its penetration of the normal trade market through the launch of global best sellers such as Calcium + Vitamin D and a beauty range such as collagen drinks and hyaluronic tablets.

Through these initiatives, Swisse continued to maintain its No. 1 position in the Chinese online vitamin, herbal and mineral supplements ("VHMS") market, with a market share of 5.7% for the twelve months ended 31 December 2019, according to research statistics by Earlydata, an independent market research data provider.

Outside of China and Australia, the ANC business continued to grow, particularly in Italy, Singapore, Netherlands and United States. The overseas markets except China and ANZ accounted for 7.4% of total ANC revenue during the year under review.

The Group also launched Aurelia (its new UK-based ANC brand) on the RED (Xiaohongshu) CBEC platform in China and invited KOLs to France and London to further experience the luxuriousness of Aurelia products, including premium and natural probiotics and sustainably-sourced botanicals. Aurelia is currently sold globally through its own dynamic DTC (Direct-to-Consumer) platform, as well as through beauty e-commerce platforms, prestigious retail channels, hotels and spas.

4) Prospects

Starting from 2020, the Group anticipates that it will be able to sustain positive revenue growth with

healthy profitability, despite the headwinds ahead. Following the severe novel coronavirus (“**COVID-19**”) outbreak in January, the Group took immediate action to protect the safety and health of its employees and ensure business continuity. The Group’s supply chain for its BNC and ANC segments are so far on track and our key partner manufacturers are operating with limited disruption. However, the Group has identified potential risks in the supply of some raw materials and logistics, and will closely monitor how the situation evolves in the coming weeks. Furthermore, thanks to the Group’s high cash flow generation business model, it is well-positioned to maintain a healthy liquidity position throughout this challenging period with sufficient headroom within its debt covenants.

With COVID-19 disrupting retail and logistics businesses across China, the Group has proactively adjusted its marketing plans and the way it communicates and engages with customers to respond to the changed retail landscape. It is better leveraging its propriety MAMA100 CRM platform to support its business and target customers through live webcasts during this challenging period. Following the outbreak, the Group has also witnessed a strong increase in demand for probiotic supplements and immune-related products, such as Swisse Vitamin C effervescent, across different markets. The Group is confident that COVID-19 will be favorable to its business, in the long run, resulting from rising consciousness around proactive health management and disease prevention.

For the BNC segment, the Group expects the Chinese IMF market to remain intensively competitive while still anticipating strong growth in emerging sectors, particularly the goat milk IMF market. The Group believes its IMF products, which are clinically proven to be effective, will continue to stand out in the market with premium and quality ingredients that effectively enhance and improve immunity. To strengthen market share, the Group will continue to implement its multi-brand category strategy to tap fast-growing segments of the market, invest further in branding and consumer education, acquire new customers and increase retention rates, as well as enter into more strategic partnerships with key customers both online and offline. To further expand its current IMF categories, the Group successfully obtained approval from China’s State Administration for Market Regulation (“**SAMR**”) in March of this year for its new French-made Terroir series under the Biostime brand. Moreover, the Group will also continue to leverage Biostime’s strong position as the world’s number one pediatric probiotic supplements brand, taking full advantage of the robust and growing demand it continues to see in this category.

For the ANC segment, the Group will continue to seek positive growth. In China, the Group will carry on with its strategy of transitioning its Swisse business from a passive sales model driven by individual daigou traders to a more manageable and sustainable active sales model, while also further developing its omni channels on top of its CBEC platforms. The Group remains convinced that Swisse will continue to grow in a healthy and sustained manner in China as consumers become more aware of the brand through major CBEC channels, which will translate into further opportunities to grow the normal trade channel. For these reasons, the Group anticipates that China will remain the ANC business’ largest market.

The Group will support the further expansion of Swisse’s normal sales channel by filing more “blue hat” licenses in 2020 with SAMR, and the launch of more comprehensive products in the Chinese offline market. The Group remains confident about the healthy and sustainable growth of the overall VHMS industry in China in light of its still-low-but-growing penetration level. This will be further supported by the government’s ‘Healthy China 2030’ Initiative, as well as heightened health consciousness due to the COVID-19 outbreak.

In the ANZ market, the COVID-19 outbreak will further challenge demand from daigou in the short term. However, the Group anticipates that demand from domestic sources will continue to increase and it will seek to drive further domestic consumption through strong branding, product innovation and channel expansion. The Group will also launch Swisse in new international markets, including in India where Swisse was launched in February, as well as in Malaysia, Thailand and Taiwan later this year.

Mrs. Laetitia Garnier, Chief Executive Officer of the Group said, “The coming months will be a testing time for the Group and for the world. However, we are confident that our business will emerge even stronger as more and more consumers recognize the importance of health, nutrition and wellbeing.

We look forward to growing our global leadership in premium nutrition and wellness as we bring more proven products and brands to customers all around the world.”

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

H&H Group is a global family nutrition and wellness provider founded in 1999 with a vision of contributing to healthier and better lives. Building its success on “premium, proven, aspirational and engaging” products, it has brought together six brands to date: Biostime, Swisse Wellness, Healthy Times, Dodie, Good Goût, and Aurelia Probiotic Skincare. Listed on the Hong Kong Stock Exchange (code 1112), it operates across 90 locations and has over 2,800 employees worldwide.

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