

[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 Interim Results Announcement

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**Total revenue grew 11.4% to RMB5,095.3 million despite volatile environment*

**BNC business grew by 17.4% supported by multi-brand/category strategy, effective customer recruitment and retention, and effective marketing*

**ANC business supported by 21.9% growth of China active sales*

Financial Highlights

RMB million unless otherwise stated	For the 6 months ended 30 June		% Change
	2019	2018	
Revenue	5,095.3	4,573.6	11.4%
EBITDA	1,298.6	965.7	34.5%
Adjusted EBITDA ¹	1,194.5	1,249.0	-4.4%
Net profit	713.1	384.3	85.5%
Adjusted net profit ²	609.0	701.1	-13.1%
Operating cash flows	960.0	1,149.2	-16.5%
EPS (RMB)	1.11	0.60	85.0%
Adjusted EPS (RMB)	0.95	1.10	-13.6%

(21 August 2019, 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 2019.

During the first half of 2019, H&H Group contended with a volatile environment of slowing economic growth and intense market competition. Despite this, the Group achieved double-digit revenue growth and continued to expand its product portfolio and international presence in premium nutrition and wellness, while increasing its reported net profitability.

Total revenue in the first half of 2019 grew 11.4% to RMB 5,095.3 million, compared with the same period of last year, with the Baby Nutrition and Care ("**BNC**") and Adult Nutrition and Care ("**ANC**") businesses growing 17.4% and 2.1%, respectively. Adjusted EBITDA during the period slightly decreased by 4.4% to RMB1,194.5 million, compared with the same period of last year, while reported EBITDA increased by 34.5% to RMB1,298.6 million. The Group's adjusted net profit decreased by 13.1% to RMB609.0 million, compared to the same period of last year, while reported net profit increased by

¹ EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA = EBITDA – Non-cash gains of RMB104.1 million for the six months ended 30 June 2019 (six months ended 30 June 2018: losses of RMB278.7 million) – Non-recurring gains of nil for the six months ended 30 June 2019 (six months ended 30 June 2018: loss of RMB4.6 million)

² Adjusted net profit = Net profit – EBITDA adjustment items of RMB104.1 million for the six months ended 30 June 2019 (six months ended 30 June 2018: losses of RMB283.3 million) + Other non-cash losses of nil for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB33.4 million)

85.5% to RMB713.1 million. The BNC and ANC businesses accounted for approximately 64.0% and 36.0% of total revenue, respectively.

In response to a new multi-brand/category strategy and several other initiatives launched in the first half of 2019 to drive consumer demand for the Group's premium BNC product categories, revenue derived from the BNC business reached RMB3,261.4 million during the first half of the year, an increase of 17.4% compared to the same period of last year. These initiatives include effectively recruiting new consumers and retaining existing consumers through the Group's proprietary MAMA100 loyalty program; and stepping up digital and social media marketing and professional endorsements to enhance brand awareness and word-of-mouth effect.

The infant milk formula ("**IMF**") market in China remained intensely competitive during the period due to the declining birth rate in China last year, with the market growth rate slowing to 11.6% for the twelve months ended 30 June 2019. Despite this trend, the Group's IMF segment still grew faster than the market with sales growth of 14.7% compared to the same period last year, while also continuing to maintain a strong position in the premium and super premium segments. The Group's Healthy Times IMF series also outperformed the wider organic IMF market with sales growth of 42.7%, accounting for 5.1% of its total IMF business.

According to Nielsen, an independent market research company, the Group's share of the overall IMF market in China remained stable at 5.9% for the twelve months ended 30 June 2019.

The Group also stepped up its presence in other markets such as Australia, Hong Kong SAR and France. This included launching Biostime's organic IMF products and probiotics products in the Australia and New Zealand ("**ANZ**") market at the beginning of 2019, and appointing Miranda Kerr, a well-known supermodel and mother of two children, as Biostime's brand ambassador. It also successfully expanded its IMF product range with the launch of a goat milk IMF series under the Biostime brand on the Group's Cross-border E-commerce ("**CBEC**") platforms, as well as in the Hong Kong SAR market, enabling it to tap into China's fast-growing goat milk market.

The Group's probiotics product segment grew at a slower rate of 6.3% compared to the same period of last year, with revenue reaching RMB588.7 million. The growth was partially affected by a high base in the first quarter of 2018, as well as intensified market competition as new brands gradually enter this segment.

The Group's other pediatric product segment continued to grow robustly during the first half of 2019, increasing 107.4% compared to the same period of last year. Dodie achieved revenue growth of 61.3%, which was attributed to the strong performance of the brand in both France and China, especially in the latter where sales of the Dodie premium diaper range grew rapidly. The growth was driven by investments in brand awareness and consumer education activities, as well as synergies from sales team and distribution channels leveraged with the Group's other BNC products.

The growth of the Group's other pediatric product segment was also supported by the consolidation of Good Goût's sales into the Group's overall sales in 2019. Following its acquisition in July 2018, Good Goût has achieved sales growth of 46.7% in the French market in the first half of 2019 compared to the same period of last year. This growth was further supported by the appointment of French football celebrity, Kylian Mbappé as a brand ambassador. The Group has also added Good Goût to its baby categories sold through its Tmall flagship store in May this year, further capturing the fast-growing infant and kids healthy snack markets in China.

Revenue derived from the Group's ANC segment, operated primarily under the Swisse brand, reached AUD383.1 million during the first half of the year, an increase of 4.8% on a currency-adjusted basis compared to the same period of last year. The implementation of the new E-commerce law in China resulted in 'daigou' traders destocking inventory and reducing trading, which impacted Swisse's business in the Australian market, with ANZ sales decreasing by 11.7% during the period. However, the ANC

business in the China market continued to maintain double-digit growth momentum with revenue growth of 21.9% in the first half of 2019. This overall performance was slower than the Group's expectations, including in China, mainly due to the lower-than-expected growth of the overall Chinese vitamin, herbal and mineral supplements ("**VHMS**") market, especially in the second quarter. The contribution of active sales in China continued to grow gradually in the first half of 2019, reaching 40.9% of total ANC revenue.

To further drive consumer demand in the Australian market, the Group has worked closely with customers to manage inventory, while also engaging daigou channels with continuous education about new products and through marketing campaigns. In addition, the Group will continue to focus on new product development in this market.

Despite the headwinds faced, the revenue growth of Swisse products, particularly in the Chinese market, was supported by strong brand and product marketing campaigns on major CBEC platforms during the 618 e-commerce season. These included celebrity endorsements and the introduction of several new categories to the China CBEC and normal trade markets. These new products included the launch of Swisse's K2 bones product on the Group's CBEC platforms in China and the launch of Swisse's Chlorophyll liquid and Artichoke + Raisin Tree Seed liquid products in the normal trade channel.

Since launching these products in China's normal trade market, Swisse has demonstrated fast and sustainable growth within its offline business, which grew 79.6% compared to the same period of last year. The normal trade business accounted for approximately 11.9% of total Swisse sales in China in the first half of 2019 with Swisse products currently available for sale in 19,482 offline retail stores. Furthermore, the Group obtained approval for Swisse's globally best-selling Vitamin C effervescent product from the State Administration for Market Regulation ("**SAMR**") through its filing process in late June of this year.

Outside of its core markets, Swisse demonstrated robust revenue growth in other markets, including Italy, Hong Kong SAR, Singapore, the Netherlands and the United States, which accounted for 8.3% of total ANC revenue in the first half. Swisse currently holds the no.1 position in the vitamin category in the Hong Kong SAR market. Moreover, the Group's brand awareness was also boosted by the appointment of influential and recognized Hollywood actor Chris Hemsworth, and his wife Elsa Pataky, an actress and model, as Swisse's new global brand ambassadors.

According to research statistics by IRI, an independent market research company, Swisse continued to hold its no. 1 position in the Australian VHMS market with a market share of 16.9% for the twelve months ended 30 June 2019. According to research statistics by Earlydata, an independent market research data provider, Swisse maintained its no.1 position in the VHMS market on Chinese online platforms with a market share of 6.0% for the twelve months ended 30 June 2019.

To further grow the care segment of its ANC business, the Group has integrated a new brand, Aurelia Probiotic Skincare ("**Aurelia**"), into its overall business following its acquisition. The Group recently launched Aurelia products on the RED (Xiaohongshu) CBEC platform in China, inviting KOLs to France and London to further experience the luxuriousness of the premium and natural BioOrganic ingredients used in Aurelia's products. Aurelia is currently sold globally through its own dynamic DTC (Direct-to-Consumer) platform, as well as beauty E-commerce platforms, prestigious retail channels, hotels and spas.

Looking ahead, the Group foresees a similar degree of macro volatility and market uncertainty, which may affect consumer sentiment in many of the key markets in which the Group operates. The Group will continue to implement its 'Premium, Proven, Aspirational and Engaging' ("**PPAE**") model to positively enhance the images of its brands globally, and facilitate the exposure of its brands in different markets.

For the BNC segment, the Group expects the Chinese IMF market to remain intensely competitive while still anticipating some business growth in the BNC segment. To strengthen its market share, the Group will further implement its multi-brand/category strategy, leverage on its strong position in the premium

and super premium segments of the Chinese IMF market, and continue to invest in branding and consumer education, acquire more new end-users with improved repurchase rates, and enhance its strategic partnerships with key customers to strengthen its market share. In order to capture the fast growth momentum of the goat milk and organic categories in China, the Group will launch a goat milk IMF series with its Biostime trademark in the offline market in the second half of 2019, having recently obtained approval from SAMR, while also expanding the sales presence of Healthy Times IMF products.

For the ANC segment, despite ongoing headwinds, the Group remains confident about delivering positive growth for the rest of the year. Business growth opportunities remain in the ANZ market where the Group will continue to drive domestic consumption through strong branding, product innovation and channel expansion. In the China market, the Group will also 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 in China.

In China, albeit slowing online VHMS market growth, the Group remains confident about the healthy and sustainable growth of the overall VHMS industry in light of its still low but growing penetration supported by the China Government's 'Healthy China 2030' Initiative. The Group believes in the healthy and sustainable growth prospects of its ANC business in China in light of the strength of the Swisse brand among Chinese consumers on CBEC and the opportunities to further grow in the normal trade channel. Swisse will be launching several new products in the second half of the year and will soon announce a new Chinese celebrity as a brand ambassador. The expansion of the brand in the normal trade channel will be further supported by the filing of more "blue hat" licenses, including Swisse's Kids Vitamin D3 (Liquid), which was recently approved by SAMR.

The Group will also launch product categories under the new sub-brand Swisse Me™ in the United Kingdom in August, which aims to embrace fast growing consumer segments and shopping trends through the launch of a new direct-to-consumer product range.

Mrs. Laetitia Garnier, Chief Executive Officer of the Group said, "We remain confident about our growth potential and we will continue to increase our operational efficiency and realize more synergies within both businesses, in line with our multi-brand, multi-category and multi-channel strategy. This will ensure that the Group continues to grow its business, as well as its global leadership in premium nutrition and wellness."

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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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