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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 2017

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 2017. The following are the unaudited operational statistics of the Group for the nine months ended 30 September 2017, with comparative figures for the nine months ended 30 September 2016:

Revenue by product segment (unaudited)

The unaudited consolidated revenue of the Company by product segment for the nine months ended 30 September 2017 and the comparative figures for the nine months ended 30 September 2016 are as follows:

	For the nine months ended 30 September		
	2017	2016	Change
	RMB million	RMB million	%
	(unaudited)	(unaudited)	
Revenue by product segment			
Baby nutrition and care products	3,347.7	2,766.1	21.0%
Adult nutrition and care products	2,368.3	1,920.6	23.3%
Total	5,716.0	4,686.7	22.0%

Note:

- For illustrative purpose, the exchange rates of AUD1 = RMB5.2114 and AUD1 = RMB4.8865 have been used for the preparation of the unaudited consolidated revenue of the Company for the nine months ended 30 September 2017 and comparative figures for the nine months ended 30 September 2016, respectively.

During the first three quarters of 2017, the Chinese infant milk formula (“**IMF**”) market condition became clearer as major brand series of top players have been approved by the Chinese Food and Drug Administration (“**CFDA**”) prior to the enforcement of new formula registration rules on 1 January 2018. The Group’s revenue derived from the baby nutrition and care (“**BNC**”) products segment increased by 21.0% for the nine months ended 30 September 2017 as compared with the corresponding period in 2016, which was mainly driven by the growth of our super premium and premium IMF products with a year-over-year increase of 15.8%, factoring in the trend of continued premiumization in the industry. The Group had already gained approval for five series from the CFDA, including three existing series renamed β -star, π -star and α -star series under the Biostime™ brand, organic series under the Healthy Times™ brand, as well as the Manle series under the Adimil™ brand. Meanwhile, the strong sales momentum of probiotics supplements continued during the period with a year-over-year growth of 65.9%, thanks to the effective marketing campaigns and heightened awareness of the benefits of probiotics among consumers.

According to Nielsen, an independent market research company, the Group’s share of the overall IMF market in China was 5.5% for the twelve months ended 30 September 2017. The market share of Biostime™, the Group’s flagship IMF brand slightly increased, while the share of mid-tier Adimil™ branded IMF products declined compared to same period last year. Consequently, the Group’s overall market share was down slightly compared with 5.8% for the twelve months ended 30 September 2016, while the market share remained stable compared with 5.5% for the twelve months ended 30 June 2017.

As of 30 September 2017, the number of member retail outlets decreased from 38,025 as of 31 September 2016 to 36,191, among which, the number of the Group’s VIP baby specialty stores decreased from 27,301 to 26,188, supermarkets decreased from 5,727 to 5,321, and VIP pharmacies decreased from 4,997 to 4,682. Through streamlining our sales network, we continued to shift our sales and marketing resources to high output stores and hence improve the store output as a whole.

For the nine months ended 30 September 2017, the Group’s revenue contributed from the adult nutrition and care (“**ANC**”) products segment increased by 23.3% as compared with the corresponding period of last year (15.6% on a currency-adjusted basis). The increase was mainly attributed to the sales growth in Australia while active sales in China continued to grow rapidly. The Cross-Border Ecommerce (“**CBEC**”) regulatory changes in China which were first announced on 8 April 2016, have been further postponed to the end of 2018 in accordance with a recent statement by the State Council issued in September 2017.

According to research statistics by IRI, the share of Swisse Wellness Group Pty Ltd (“Swisse”) in the Australian, herbal and mineral supplements (“VHMS”) market decreased to 16.0% for the twelve months ended 30 September 2017, which was partially attributed to the shift of the revenue of Swisse from Australia to China due to our China active sales strategy. However, the market share slightly increased compared with 15.8% for the twelve months ended 30 June 2017. The Swisse China business continued to deliver robust growth, both for CBEC and normal trade, and its sales has accounted for 26.7% of the total ANC revenue for the nine months ended 30 September 2017. Furthermore, the Group has ramped up investment in marketing initiatives, with the recent appointment of the high-profile Chinese celebrity Fan Bingbing as a Swisse brand ambassador, in order to drive further sales growth and improve consumer awareness in both the Australian and Chinese markets.

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 Company. 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 2017

As at the date of this announcement, the executive Directors is Mr. Luo Fei; the non-executive Directors are Dr. Zhang Wenhui, Mr. Wu Xiong, Mr. Luo Yun and Mr. Chen Fufang; and the independent non-executive Directors are Dr. Ngai Wai Fung, Mr. Tan Wee Seng and Professor Xiao Baichun.