

[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)

### 2017 Third Quarter Operational Update

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*\*Consolidated revenue for nine months ended 30/9/2017 reaches RMB5,716.0 million, up 22.0%*

*\*BNC revenue up 21.0% on growth from super premium and premium IMF products*

*\*ANC sales recover further on China and Australian growth, and clarity on incoming CBEC regulation in China*

*\*Swisse China business growing robustly; Fan Bingbing appointed as brand ambassador to drive further growth*

(30 October 2017, 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 operational update for the nine months ended 30 September 2017.

For the nine months ended 30 September 2017, the unaudited consolidated revenue of the Group reached RMB5,716.0 million, compared to RMB4,686.7 million for the corresponding period of 2016.

During the first nine months of 2017, revenue from the Group's baby nutrition and care ("BNC") products segment increased by 21.0% compared to the corresponding period of 2016, which was mainly driven by the growth of the Group's super premium and premium IMF products, with a year-over-year increase of 15.8% after factoring in the trend of continued premiumization in the industry. Meanwhile, the positive sales momentum of the Group's probiotics supplements continued during the period with a year-over-year growth of 65.9%, thanks to effective marketing campaigns and heightened awareness of the benefits of probiotics among consumers.

On the regulatory front, the condition of the Chinese infant milk formula ("IMF") market become clearer during the first three quarters of 2017 as the Chinese Food and Drug Administration ("CFDA") approved the registration of the major brand formula series of top players ahead of the enforcement of new formula registration rules on 1 January 2018. The Group has already gained approval for five series from the CFDA, including three existing series renamed  $\beta$ -star,  $\pi$ -star and  $\alpha$ -star series under the Biostime™ brand, the organic series under the Healthy Times™ brand, as well as the Manle series under the Adimil™ brand.

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 its mid-tier Adimil™ branded IMF products declined, compared to the 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 30 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 the streamlining of its sales network, the Group continued to shift its sales and marketing resources to high output stores and hence improved store output as a whole.

During the first nine months ended 30 September 2017, revenue from the Group's 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 robust 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 announcement by the State Council issued in September 2017.

According to research statistics by IRI, Swisse's share of the Australian vitamin, herbal and mineral supplements ("VHMS") market decreased slightly to 16.0% for the twelve months ended 30 September 2017, which was partially led by the shift of the revenue of Swisse from Australia to China due to the Group's China active sales strategy. The Swisse China business continued to deliver robust growth, both for CBEC and normal trade, and its sales accounted for 26.7% of total ANC revenue. Looking forward, the Group will ramp up investment in marketing initiatives, having recently appointed 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.

**Mr. Luo Fei, Chairman and Chief Executive Officer of the Group** said, "Both our BNC and ANC businesses maintained their positive growth momentum as we continued to focus on our branding and marketing activities to promote our premium products to consumers. We are also pleased to have further clarity on incoming regulations, which will enable us to further intensify our activity to take advantage of the immense growth opportunities in China and around the world."

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

H&H Group is a global premium family nutrition and wellness provider. The company's family of products includes premium probiotic supplements for children, infant formulas, dried baby food products and baby care products. It also owns a 100% equity interest in Swisse Wellness Group Pty Ltd., which is a leading provider of vitamins, herbal and mineral supplements products in Australia. The shares of H&H Group have been listed on the Hong Kong Stock Exchange since 2010.

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