

[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)

2018 Interim Results Announcement

* * *

**Total revenue up 28.8% to RMB4,573.6 million; adjusted profit for the period up 41.4% to RMB701.1 million*

**Strong sales of BNC products: driven by 27.9% growth of super premium and premium IMF series in China, 64.0% growth in revenue from probiotics products*

**Robust growth of ANC products in China and Australia: Swisse sales up 29.3% during the period*

**New 3-year term loan facility optimises capital with significantly improved terms and conditions*

Financial Highlights

RMB million unless otherwise stated	For the 6 months ended 30 June		% Change
	2018	2017	
Revenue	4,573.6	3,551.4	28.8%
Gross profit	3,075.7	2,315.7	32.8%
Adjusted EBITDA ¹	1,249.0	1,074.8	16.2%
Adjusted profit for the period ²	701.1	495.7	41.4%
Adjusted EPS	RMB1.10	RMB0.79	39.2%

(27 August 2018, 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 2018.

Both of the Group's baby nutrition and care ("**BNC**") and adult nutrition and care ("**ANC**") businesses continued to thrive, with each segment achieving strong double-digit revenue growth. During the first half of the year, the Group's revenue grew 28.8% to RMB 4,573.6 million, compared with the same period of last year, with the BNC and ANC businesses growing 33.2% and 22.5%, respectively. Its adjusted EBITDA during the period increased by 16.2% to RMB1,249.0 million, compared with the same period of last year. The Group's adjusted net profit increased by 41.4% to RMB701.1 million, compared to the same period of last year. The BNC and ANC businesses contributed approximately 60.7% and 39.3% of total revenue, respectively.

¹ EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. EBITDA for the six months ended 30 June 2018 amounted to RMB965.7 million (six months ended 30 June 2017: RMB1,004.0 million). Adjusted EBITDA = EBITDA + net foreign exchange loss/(gain) + net fair value losses on derivative financial instruments + non-recurring integration costs – gain on deemed disposal of partial interest in an associate + one-time expense paid to the original shareholders of Swisse on some tax refund

² Net profit for the six months ended 30 June 2018 amounted to RMB384.3 million (six months ended 30 June 2017: RMB396.6 million). Adjusted net profit = Adjusted EBITDA – depreciation and amortization – finance costs + interest income – income tax expenses + write-off of unamortized transaction costs upon refinancing the interest-bearing bank loans + bank charges relating to the financing for the acquisition of the remaining 17% non-controlling interest in Swisse + non-recurring loss on redemption of convertible bonds

Revenue derived from the BNC business reached RMB2,778.0 million during the first half of the year, as the result of robust growth in both the infant milk formula (“**IMF**”) and probiotic supplement segments. The IMF market remained competitive during the period as major players stepped up their investments in branding and channel initiatives following the commencement of the China Food and Drug Administration’s (“**CFDA**”) new registration rules on 1 January 2018. The Group’s super premium and premium IMF series grew 27.9% compared to the same period of last year, due to ongoing consumption trade-up, as well as continuous and effective investments in marketing and channel initiatives.

Shortly after the commencement of the new registration rules, the Group was one of the first IMF players in China to launch new products with upgraded packaging and formulas for its CFDA-approved series under the Biostime brand. These new products were well received by distributors, retailers and consumers across China and the transition was completed smoothly by the end of June 2018. This positive outcome is being reflected in the Group’s growing market share.

According to Nielsen, an independent market research company, the market share of Group’s premium and super premium series under its Biostime and Healthy Times brands increased to 5.7% for the twelve months ended 30 June 2018, while the share of the Group’s mid-tier Adimil-branded IMF products weakened compared to the same period of last year. Consequently, the Group’s overall market share increased to 5.9% in the first half of 2018, from 5.5% for the twelve months ended 30 June 2017. To better capture the fast-growing organic IMF market in China, the Group recently appointed a brand ambassador for Healthy Times while profiling the organic ingredients of the brand’s products to position it squarely in the premium and super premium segments.

The sales momentum of the Group’s probiotics products segment continued throughout the first half of the year. The revenue derived from this segment reached RMB553.9 million, an increase of 64.0% compared to the same period of last year, as a result of rising demand resulting from a heightened awareness in China of the benefits of probiotics, effective sales and marketing initiatives, and the successful use of high-profile brand ambassadors. The Group also launched probiotics supplements under the Biostime brand in the French market during the first half of the year.

The Group also boosted the sales of the Dodie premium diaper range in China through innovative marketing and an expanded presence on both online and offline platforms. It also launched a Dodie natural skincare line for babies in France.

Revenue derived from the Group’s ANC segment, operated under the Swisse brand, was also robust. Sales rose 29.3% to AU\$365.6 million during the period, compared to the same period of last year on a currency-adjusted basis. This result was driven by continued strong growth momentum in the Chinese and Australian markets. Higher price points for Swisse’s top-selling products that were rolled out at the beginning of 2018 was well received by the market and helped strengthen the brand’s premium position in the vitamin, herbal and mineral supplements (“**VHMS**”) markets of both countries and was the basis of Swisse’s growing market share during the period.

Swisse’s performance in the Australian market was supported by stable growth across various channels, as well as its strong marketing calendar and through-the-line activation of key partnerships such as the Scuderia Ferrari F1[®] Team, sponsorships across cycling with Cadel Evans, the Winter Olympics, the Australia Football League and the Wallabies rugby team, all of which were brought to life in store with key customers.

Building on Swisse’s earlier success with cross-border Ecommerce (“**CBEC**”) platforms in China, the Group expanded this momentum to both new and existing platforms, including its normal trade business in China, with the launch of innovative marketing campaigns and interactions with key opinion leaders, which successfully drove brand awareness and enhanced active consumer engagement. These campaigns included Super Brand Day campaigns and 618 promotional events campaigns with Tmall.hk, JD.com, VIP.com and NetEase Kaola.com; bringing Chinese celebrities to Australia to showcase the

origin of the brand's natural ingredients and the Australian lifestyle; and sponsorship of the Color Run in cities across China.

According to research statistics by IRI, an independent market research company, Swisse further strengthened its leading position in the Australian VHMS market, with a market share of 18.6%³ for the twelve months ended 30 June 2018. It also has a leading position in the Chinese online VHMS market.

The Group also successfully optimised its capital structure in mid-June 2018 with a new 3-year term loan facility that refinanced an existing senior secured term loan facility with significantly improved terms and conditions. This refinancing further improved the Group's capital efficiency and enhanced its financial stability as a whole. The Group also enhanced its net leverage ratio and further developed the financial resources needed to support its future business growth with the strong cash flow generated during the first half of this year.

Looking ahead, the Group anticipates competition in the IMF market to remain intense among major players. In response to this, the Group will increase its investment in branding and channel initiatives, while continuing to launch innovative marketing campaigns to build more brand awareness among consumers.

In other parts of the BNC segment, the Group will accelerate the pace of new product development and extend its product portfolio to meet the rising demand of consumers. The Group will soon introduce probiotic drops under the Biostime brand to further build its probiotic product portfolio. It will also explore new sales opportunities for its BNC products in promising markets. The Group also recently appointed Guo Jingjing as a new brand ambassador for Dodie, reinforcing its premium brand image and boosting its brand exposure in online and offline markets.

The Group will further grow the ANC business by extending and deepening the range of its product portfolio, while strengthening its branding and reputation to build consumer trust and grow its customer base. The Group will launch a highly anticipated pregnancy and infant range and adult probiotics range under the Swisse brand in the second half of this year, which will be supported with innovative brand ambassador campaigns and PR launches. These products will be rolled-out in-store and online in Australia and New Zealand, as well as across Chinese CBEC channels.

Furthermore, the continued growth of Swisse's normal trade business in China will be supported with the introduction of more conventional food products, as well as the upcoming launch of Swisse's high-selling Calcium + Vitamin D product – the first Australian-made VHMS product approved by the CFDA through the new filing process⁴. Armed with this comprehensive and innovative product range, the Group is confident about expanding Swisse's presence in China – the world's fastest-growing VHMS market and capturing the future upside of this business.

Mr. Luo Fei, Chairman and Chief Executive Officer of the Group said, "We had an excellent start to 2018, having made significant progress in developing and expanding our BNC and ANC businesses into existing and new markets. We will continue to expand the exposure of all of our brands globally in line with our 'Premium, Proven and Aspirational' model as we continue to work towards our goal to become a global leader in premium family nutrition and wellness."

- End -

³ Excludes data from independent pharmacy stores that do not provide exact data

⁴ The CFDA released official filing guidelines for VHMS products sold in China's offline market in May 2017.

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.

For further enquires, please contact:

Think Alliance Group

Mr. Matthew Schultz / Mr. Henry Chow

Tel: (852) 3978 5321 / (852) 3978 5323

Email: matt.schultz@think-alliance.com / henry.chow@think-alliance.com