

[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 Annual Results Announcement

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**Total revenue up 25.2% to RMB10,132.5 million; adjusted net profit for the year up 9.5% to RMB1,323.0million*

**BNC sales growth driven by 21.3% growth of Chinese IMF business and 33.6% growth in probiotics*

**Active ANC sales in ANZ and China increased by 13.7% and 63.2%, respectively*

Financial Highlights

RMB million unless otherwise stated	For the 12 months ended 31 December		% Change
	2018	2017	
Revenue	10,132.5	8,095.3	25.2%
Gross profit	6,739.7	5,265.6	28.0%
Adjusted EBITDA ¹	2,480.7	2,245.5	10.5%
Adjusted Net Profit ²	1,323.0	1,208.4	9.5%
Adjusted EPS	RMB2.07	RMB1.91	8.4%
Proposed dividend per ordinary share	HKD0.48	-	-

(19 March, 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 leading premium wellness provider, announced its annual results for the year ended 31 December 2018.

All parts of the Group's business performed strongly during the year under review, with the Group's two core business segments, baby nutrition and care ("**BNC**") and adult nutrition and care ("**ANC**") achieving double-digit revenue growth and maintaining healthy profitability despite the macroeconomic environment becoming increasingly unstable throughout the year.

Total revenue for the year ended 31 December 2018 reached RMB10,132.5 million, an improvement of 25.2% compared to the previous year, with the BNC and ANC segments accounting for approximately 58.1% and 41.9% of total revenue respectively. Adjusted EBITDA for the year under review was RMB2,480.7 million, an increase of 10.5% compared to the previous year. Adjusted net profit was RMB1,323.0 million, an increase of 9.5% compared to the previous year.

¹ EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. EBITDA for the year ended 31 December 2018 amounted to RMB2,158.6 million (2017: RMB2,060.4 million). Adjusted EBITDA = EBITDA + Non-recurring losses of RMB16.2 million for the year ended 31 December 2018 (2017: RMB94.7 million) + Non-cash losses of RMB305.9 million for the year ended 31 December 2018 (2017: RMB90.4 million)

² Net profit for the year ended 31 December 2018 amounted to RMB843.1 million (2017: RMB928.5 million). Adjusted net profit = Net profit + EBITDA adjustment items of RMB322.1 million (2017: RMB185.1 million) + Other non-recurring losses of RMB123.8 million (2017: RMB28.3 million) + Other non-cash losses of RMB34.0 million (2017: RMB66.5 million)

Revenue derived from the BNC business, which includes the Group's infant milk formula ("**IMF**"), probiotic and baby care products, reached RMB5,888.3 million in 2018, up 25.8% compared to the previous year. The IMF segment in China remained the largest contributor to the BNC business, despite several challenges including the declining birth-rate, weakening economic growth, and the stricter registration rules in China, which is intensifying competition among major players. The Group's IMF business increased by 21.3% in 2018, as a result of the Group's premium positioning, strong branding and marketing initiatives, and channels investments. Sales of the Group's Biostime and Healthy Times branded IMF products increased by 18.9% and 171.8%, respectively.

According to Nielsen, an independent market research company, the market share in China held by the Group's premium and super premium series under Biostime and Healthy Times increased to 5.8% for the twelve months ended 31 December 2018. Consequently, the Group's share of the overall IMF market in China increased to 5.9% for the twelve months ended 31 December 2018.

The Group also positioned itself to capture the fast growing organic IMF segment – a market that grew 42.4% in 2018, according to Nielsen. In particular, the Group continued to expand the brand exposure of its IMF products under the Healthy Times brand, building on its earlier launch in the China and US markets. At the same time, the Group appointed a well-regarded Chinese celebrity as brand ambassador for Healthy Times, while also promoting the benefits of organic and natural raw ingredients for infants.

The Group continued to see strong sales momentum for its probiotic products segment, with new probiotic products being introduced in the Hong Kong and French markets in 2018. Revenue derived from this segment reached RMB1,044.6 million, an increase of 33.6% compared to the previous year, which was mostly attributed to comprehensive branding and marketing campaigns, and continued robust consumer demand towards probiotic products.

Sales of other pediatric products also grew rapidly in 2018, which was mostly attributed to the sale of Dodie branded products in its home French market, as well as in China. In France, the Group leveraged Dodie's 60th anniversary to launch a new accessories collection, new brand campaigns, and a new personal care range for infants, which received very positive consumer feedback. The Group also accelerated the penetration of its Dodie premium diaper range in China in 2018 to capture opportunities arising from the recent premiumization of the domestic diaper market. This effort was supported by the appointment of Guo Jingjing, a Chinese Olympic medal-winning diver, as a brand ambassador, as well as comprehensive marketing campaigns on Chinese online and offline platforms.

Revenue derived from the Group's ANC segment, operated under the Swisse brand, continued to grow very strongly in 2018, reaching AUD859.0 million, an 30.3% increase compared to the previous year on a currency-adjusted basis. Australia and New Zealand ("**ANZ**") and China active sales increased by 13.7% and 63.2%, respectively. This result was primarily attributed to robust growth in the Chinese market, which contributed 35.6% of total Swisse sales in 2018, while sales in Swisse's Australian home market continued to outperform the industry, resulting in market share gain.

In the China market, Swisse's revenue, particularly in the Cross-border E-Commerce ("**CBEC**") segment, was driven by a number of innovative marketing campaigns and interactions with key opinion leaders. Swisse was named the number one health brand and number one imported consumer brand across all industries during TMall's landmark 'Single's Day' shopping festival in November 2018, during which it launched new product series that were well received in the Chinese CBEC market.

Swisse also expanded its normal trade business in China in 2018, successfully registering its high-selling Ultiboost Calcium + Vitamin D product with the State Administration of Market Regulation ("**SAMR**") – the first Australian-made vitamin, herbal and mineral supplements ("**VHMS**") product approved under China's new 'blue hat' filing process. Meanwhile, the Group continued to expand and deepen its penetration of offline distribution channels in China, including a new cosmetics channel, to further expand Swisse's brand exposure, leveraging its more comprehensive range of products and enlarged

network.

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% for the twelve months ended 31 December 2018. Swisse also holds a leading position in the Chinese online VHMS market.

Looking ahead, the Group will continue to implement its 'Premium, Proven and Aspirational' ("PPA") model and undertake innovative marketing campaigns and celebrity endorsements to positively convey the image of its brands on a local and global scale. While the Group anticipates competition in the Chinese IMF market to remain intensely competitive in 2019, it believes that it can consolidate its leading position in the market by leveraging on its leadership in the premium and super premium segments as the premiumization trend continues.

To stay ahead of the toughening competition in both the Chinese online and offline IMF markets, the Group will continue to invest in branding and marketing campaigns, launch new product categories, and deepen its distribution network and enhance its strategic partnerships with key customers in China. It will also continue to expand its BNC products in overseas markets, including in Australia where it recently launched Biostime's organic IMF products and probiotics products.

The prospects for the Group's ANC business remains strong as a result of increasing health-consciousness among consumers as more and more young consumers enter the category. In order to capture these opportunities, the Group will further grow Swisse's brand exposure in the Chinese online and offline markets, as well as in other global markets, with the launch of new products, innovative marketing and branding campaigns, and through continued investment in sales channels. The Group is also currently preparing filing documents for several Swisse products to facilitate the expansion of its normal trade business in China.

Outside of its established BNC and ANC brands, the Group is also exploring new product categories including in the organic baby food, goat milk infant formula, and the adult natural beauty segments. In September 2018, the Group completed its acquisition of Good Goût, a French organic baby food brand, which will enable it to further capture the strong growth momentum of the organic baby food segment in France, China and other international markets where there is increasing consumer demand for proven and premium BNC products. To support the future expansion of its IMF product range, the Group recently acquired a CNCA-approved factory in Australia that has the capability to produce goat milk infant formula. This acquisition will enable the Group to tap into other parts of the fast-growing IMF segment in China.

Furthermore, the Group is taking steps to explore the global premium and natural beauty segment following its acquisition of Aurelia Probiotic Skincare, an ultra-premium skincare brand that combines sustainably sourced Bio-Organic botanical ingredients and probiotics, which will further complement the care segment of its ANC business.

Mr. Luo Fei, Chairman of the Group said, "We look forward to further expanding the scope of our business with new brands and new product categories, while continuing to invest in our established and fast-growing BNC and ANC brands. This will move H&H Group further towards its goal of becoming a global leader in premium wellness, while delivering solid growth and returns to our shareholders."

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

H&H Group is a global premium 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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