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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)**

### **OPERATIONAL AND FINANCIAL UPDATE FOR THE THREE MONTHS AND YEAR ENDED 31 DECEMBER 2023**

This announcement is made by Health and Happiness (H&H) International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to provide an update on the Group’s operational and financial performance for the three months and year ended 31 December 2023.

#### **OPERATIONAL UPDATE**

During the year ended 31 December 2023, the Group achieved high-single-digit revenue growth on both reported and like-for-like (“**LFL**”)<sup>1</sup> bases. The growth was mainly driven by double-digit revenue growth in high-margin and fast-growing nutrition supplements across all of its three strategic business pillars — Adult Nutrition and Care (“**ANC**”), Baby Nutrition and Care (“**BNC**”), and Pet Nutrition and Care (“**PNC**”).

<sup>1</sup> LFL basis is used to indicate sales growth for this financial year compared with the previous financial year, excluding the impact of foreign exchange changes.

ANC segment achieved a strong double-digit growth during the year ended 31 December 2023, led by robust consumer demand for health supplements post-COVID across all regions, as well as the Group's efforts to launch innovative categories such as Swisse Plus+ range and gummies, in line with the Group's Premium, Proven, Aspirational and Engaging ("PPAE") model. Swisse Plus+ made a noteworthy double-digit contribution to total ANC revenue in mainland China in 2023. Further, the Group's NAD+ range within the Swisse Plus+ achieved the top position in the anti-ageing category capturing significant market share<sup>2</sup> while Swisse Liver Cleanse maintained its leading position in the high-end thistle segment in mainland China. Swisse regained its No. 1 position in the overall Australian vitamin, herbal and mineral supplements market<sup>3</sup> and retained its No. 1 position in major subcategories including Multivitamins, Beauty from Within, Digestive & Liver health and Muscle health<sup>4</sup>.

BNC segment recorded a low-teen revenue decline during the year ended 31 December 2023. Despite strong market headwinds, the Group confined the decline in revenue from infant milk formula ("IMF") to a mid-teen level in 2023. The decline in IMF business was mitigated by the positive performance of paediatric probiotic and nutritional supplements segment. Sales of paediatric probiotic and nutritional supplements continued its long-term growth trend, achieving a high single-digit year-on-year growth during the year ended 31 December 2023. The diversified product mix led by Biostime probiotic and nutritional supplements where the Group continues to gain market share helped in navigating the systemic challenges affecting the entire IMF industry in mainland China, coupled with increased competitive intensity amid the transition to new GB standards.

PNC segment surged by a strong double-digit growth during the year ended 31 December 2023 as compared to the previous year. Both North America and mainland China markets achieved strong growth during the year. In North America, Zesty Paws maintained its No. 1 position on Amazon and achieved the top spot in the pet supplements category of Walmart stores less than two years from launch<sup>5</sup>.

<sup>2</sup> According to research statistics by Early Data, in NAD+ category, an independent research company, market share data for the past twelve months ended 31 December 2023.

<sup>3</sup> According to research statistics by IQVIA, an independent research company, market share data based on unit sales for the past twelve months ended 31 December 2023.

<sup>4</sup> According to research statistics by IQVIA, an independent research company, market share data for the past twelve months ended 31 December 2023.

<sup>5</sup> According to research statistics by Stackline and NielsenIQ Byzzer, independent research companies, market share data for the 52 weeks ended 30 December 2023.

## FINANCIAL UPDATE

Based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2023, the Adjusted EBITDA<sup>6</sup> of the Group is expected to record an increase at a low double-digit level as compared to 2022. The Adjusted EBITDA margin for the year ended 31 December 2023 is expected to stay at a healthy level of mid-teens.

The Adjusted Net Profit<sup>7</sup> of the Group for the year ended 31 December 2023 is expected to record a single-digit increase as compared to 2022. In terms of the Reported Net Profit of the Group to be reported in accordance with the International Financial Reporting Standards, it is expected to reflect a single-digit decline. Such decline in the Group's Reported Net Profit is primarily attributable to the unfavorable impact from (i) a one-off stock write-off and provision of approximately RMB178 million for the imported goat milk IMF series products which were still pending for new GB (National Standard) approval, while the other seven IMF series have already obtained new GB approval as of the date of this announcement; (ii) non-cash goodwill and intangible assets impairment of approximately RMB100 million in relation to the previous acquisition of Aurelia and Good Goût in Europe; and (iii) the increased finance costs resulted from the increased base rate following the US Federal Reserve's rate hike and the depreciation of RMB against USD.

As of 31 December 2023, the Group maintained a healthy liquidity position with a cash balance of approximately RMB1.37 billion after the repayment of USD140.6 million of a 3-year term loan in 2023 according to the amortization schedule.

The information contained in this announcement is based on a preliminary assessment of the information currently available to the Board, including the unaudited consolidated management accounts of the Group for the year ended 31 December 2023, which as at the date of this announcement are still under reviewed or audited by the Company's auditors.

The data do not constitute, represent, or indicate the full picture of the Group's total revenue or financial performance and the information contained in this announcement may be subject to change and adjustment. Shareholders and potential investors are advised to refer to the details of the Group's annual result announcement for the year ended 31 December 2023, which is expected to be released on 26 March 2024 in accordance with the Listing Rules.

<sup>6</sup> EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. Adjusted EBITDA is calculated by excluding the impact from non-cash and non-recurring items from reported EBITDA.

<sup>7</sup> Adjusted Net Profit is calculated by excluding the impact from non-cash and non-recurring items from reported net profit.

**Shareholders and potential investors are advised to exercise caution when 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, 5 March 2024

*As at the date of this announcement, the executive directors of the Company are Mr. Luo Fei and Mr. Wang Yidong; the non-executive directors of the Company are Mrs. Laetitia Albertini, Dr. Zhang Wenhui, Mr. Luo Yun and Mrs. Mingshu Zhao Wiggins; and the independent non-executive directors of the Company are Mr. Tan Wee Seng, Mrs. Lok Lau Yin Ching and Professor Ding Yuan.*