


Yashili's Sales Revenue and P&L Improve in 2017

* * * * *

Develops New Breast Milk Formula Enters Goat Milk Market
Differentiated Product Layout Channel Transformation Bears Fruit

Results Highlights (Audited)

	For the year ended 31 December		
(RMB million)	2017	2016	YoY Change
Revenue	2,254.7	2,203.3	2.3%
Gross profit	922.2	1,037.3	-11.1%
Net profit margin	-8.0%	-14.5%	6.5ppt
Profit attributable to Owners of the Company	-179.8	-320.2	43.8%
Basic Earnings per Share (RMB Cents)	-3.8	-6.7	43.3%

(Hong Kong, 28 March 2018) – **Yashili International Holdings Ltd** (“Yashili” or the “Group”; stock code: 1230.HK), a leading infant milk formula and nutrition food manufacturer in China, announced its audited annual results for the year ended 31 December 2017.

2017 was a crucial year for Yashili as it was able to lay a solid foundation for bracing its brand image, channel transformation and product innovation. On the brand image front, Yashili met all requirements of “the most stringent new policy for milk powder products” – the law on registration of infant formula milk powder recipes – and was in the first batch of dairy enterprises to have its infant formula milk powder products registered, the most among enterprises in that batch, speaking volumes to the premium quality and strong corporate capabilities of Yashili. The Group was able to quickly seize the more than RMB10 billion worth market left untapped because of “the war of elimination” the new policy sparked in the milk powder sector.

~ more ~

Regarding channel transformation, Yashili continued to increase the proportion of mother-and-baby store channels and grow its e-commerce business. To match the new milk powder policy being implemented and consumption demand upgrade, the Group's various business segments gradually pushed forward with adopting the differentiated business model and brand layout, as such, a tightly-knitted brand matrix was established with product coverage spanning the entire market network. The move has laid a solid foundation for the Group to triumph in the fiercely competitive infant formula market of the future in which high-end and branded products dominate.

To comply with the new milk powder policy being implemented, Yashili has actively adjusted its products and channels, and putting more resources into delicacy management to enhance its innate strength for achieving growth. It also explored O2O operation with the aim of integrating on- and off-line resources and linking up seamlessly frontline and back-end operations.

As of December 31, 2017, Yashili achieved growth in both sales amount and net profit. Its revenue for the year increased by 2.3% YoY to approximately RMB2,254.7 million, Gross profit margin was 40.9%, down 6.18%. Sales costs rate decreased 13.5% from 53.1% in 2016 to 39.6% in 2017, whereas that of administrative expenses came down 5.7% from 17.7% in 2016 to 12% in 2017, which saw a 6.5 ppt increase YoY in the Group's net profit margin. Overall operating efficiency of the Group improved MoM. Loss attributable to Owners of the Company amounted to approximately RMB179.8 million, representing an increase of 43.8%. Basic loss per share was RMB3.8 cents

Mr. Chopin ZHANG, Chief Executive Officer of Yashili said, "2017 was the second year after the two-child policy took effect and its benefits to the milk powder industry began to show. That plus the PRC economy moving steadily on the positive track have seen the infant formula milk powder industry warming up. And, with the infant formula milk powder recipe registration policy rolled out at the start of 2018 facilitating consolidation of the domestic milk powder industry, new business opportunities have been presented to Yashili. Efforts of the Group to continuously strengthen management of internal marketing operation, optimize sales model, deepen channel transformation and product focus, and on back-end management and supply chain integration all made progress, the effects of which have gradually revealed."

~ more ~

New Milk Powder Policy Encourages Brand Differentiation New “Yashily” Brand Starts New Journey

In 2017, the Group pushed on with deployment of its differentiated business model and comprehensive brand layout to highlight its competitive edges in the market. Regarding the infant formula milk powder business, sales revenue for the year recorded approximately RMB2,254.7 million, with high-end products accounting 25.0%, up from 11.1% in 2016. To satisfy the needs of different consumers, starting from the R&D stage, each product of Yashili has its distinctive positioning that agrees with the nutritional requirements of each targeted group of infants to make it easy for mothers to select according to their babies' needs.

Currently, Yashili has 39 recipes in 13 product series registered. The products taking on the new **Yashily** brand image were introduced to the market for higher grade and more nutritional infant formula. **Reeborne** passed the “new milk powder policy” test. Its products had their packaging and formula upgraded. The **Dumex** brand, which has obtained two patents in Europe, continues to focus on research of the immune system of Chinese babies. The **Arla Baby & Me Organic** brand with a 137 years' history is an ultra-high-end milk powder canned in and imported from Denmark, in compliance with strict quality control across the entire production process from forage for dairy cattle feeding, research and development to transportation and sale, to ensure that every drop of source milk is organic, natural and healthy.

Yashili not only cares about the growth of infants, but also provides milk powder soluble products that meet the nutritional needs of adults and elderly under the **Youyi**, **Huanqing** and **Zhengwei** brands.

Yashili continues to optimize quality control in the strive to fully comply with industrial regulations and standards. During the year, all products of **Yashily** brands passed stringent national sampling tests 100%, which has helped boost consumer confidence in the Group and its products.

Developed New Breast Milk Formula Forayed Into Cow and Goat Milk Powder Markets

Yashili actively pursued product R&D during the year and achieved major breakthroughs. As required by the new milk powder policy, Yashili completed registration of formula. To meet upgraded consumption demand, it launched such visionary and competitive products as the high-end goat milk powder branded **Doraler** and **Dumex**, which received high market and industry acclaims.

~ more ~

At the same time, for the cause of building a PRC breast milk nutrition database, the Group has been working hard to strengthen the competitiveness of its products and brands. It commenced study of nutrition of breast milk in eight cities in the PRC to meet the needs of infants for breast milk nutrition in their various stages of growth. For the national 13th Five-Year Technological project, Yashili secured the national major food science and technology projects and was appointed as a leading unit to undertake the task “A New Generation of Infant Dairy Products and Development of Dairy Based Foodstuffs for Special Medical Purposes”.

Increased Penetration of Mother-and-baby Store and E-commerce Channels Effectively Adjusted Internal Marketing System

In 2017, the Group quickly increased the proportion of mother-and-baby store channel and grew e-commerce business as commanded by its CBU system and regrouping of channels and product categories. As such, the contribution from mother-and-baby store channel recorded high-teen year-on-year growth.

The “Maternity CBU” of the Group is responsible for achieving the strategic objectives in relation to brand upgrade and channel transformation. Through implementing an incentive system that encourages partnership and awards bonuses, the Group has speeded up network expansion, which saw the proportion of revenue contribution from the business swell notably in 2017.

The “Modern Trade CBU” strives to tackle the problem of “channels development, product category and price declines” and evacuate loss nets to increase the ratio of mother-and-baby store channel.

Yashili aims to satisfy customers’ needs while reducing overall supply chain cost. During the year, it reformed its supply chain and marketing models. It sorted and rationalized processes from supply, logistics to sale, and optimized its nationwide logistics and delivery service network that covers close to 5,000 routes across the country. It is building a system which incorporates and allows tracing of R&D, production and marketing system operations, as well as a more competitive supply chain.

~ more ~

Mr. Chopin ZHANG concluded, “With the new milk powder policy taking full effect in 2018, many infant milk powder brands are expected to be ousted from the PRC market, and that will present Yashili with many opportunities. We will resort to precision planning with regard to marketing and branding costs, aiming for high return on low cost. We will also enrich the product lines of our four major brands – **Yashily, Reeborne, Dumex** and **Arla**, to seize target markets with differentiated products. In addition to stepping up breast milk research effort, the Group will also develop modified milk powder for elderly to address their needs, as well as products for infants and toddlers. As for sales channels, we will accelerate upgrading of our ‘Membership System’, ‘DMS System’ and other channels to strengthen the fundamentals of our new business model for the future.”

~ End ~

About Yashili International Holdings Ltd

Yashili International Holdings Ltd. is one of the leading infant formula manufacturers in China, mainly focusing on the production and sales of infant formula products and nutrition foods under major brands including Yashily, Reeborne under Mengniu, Dumex, Arla and Scient. The Group also sells various nutrition foods including adult powder under the Mengniu brand, milk powder for adults and teenagers under the Youyi brand, cereal under the Zhengwei brand as well as rice flour under the Yashily brand. The Group’s business model incorporates such key factors as premium imported dairy raw materials, premium imported original infant formula milk powder products, self-developed recipes, an advanced manufacturing system and professional marketing teams with sufficient knowledge of local consumer markets, which enables it to offer trustworthy products to consumers.

Please visit www.yashili.com for more information.

For Enquiries:

Strategic Financial Relations (China) Limited

Anita Cheung Tel: +852 2864 4827

Jover Wong Tel: +852 2864 4845

Karen Li Tel: +852 2864 4837

Gloria Huang Tel: +852 2864 4839

Jacqueline Tang Tel: +852 2864 4846

Phil Cheng Tel: +852 2864 4874

Chloe Lau Tel: +852 2864 4862

Email: sprg-yashili@sprg.com.hk