



**Yashili Turns around to Profit in 1H 2018**  
**Income and Net Profit up**

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**Creates a Strong Brand,**  
**Strengthens Whole-channel Sales and**  
**Steps up Product R&D**

**Results Highlights (Unaudited):**

(RMB million)	2017 1H	2018 1H	Change (YoY)	Change (MoM)
Revenue	966.7	1,504.1	55.6%	16.8%
Gross Profit	447.6	652.9	45.9%	37.6%
Net profit margin	-12.6%	2.7%	15.3ppt	7.2ppt
Profit Attributable to Owners of the Company	-121.9	41.3	133.9%	171.3%
Basic Earnings per Share (RMB cents)	-2.6	0.9	134.6%	175.0%

(Hong Kong, 29 August 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 today its unaudited interim results for the six months ended 30 June 2018.

**Yashili** achieved growth in both sales and net profit in 1H 2018. Revenue increased by 55.6% to RMB1,504.1 million and gross profit increased by 45.9% to RMB652.9 million YoY. In addition, selling expense ratio decreased by 12.7ppt from 50.8% in 1H 2017 to 38.1% in 1H 2018, while administrative expense ratio decreased by 6ppt from 11.8% in 1H 2017 to 5.8% in 1H 2018. As a result, the Group's net profit margin increased by 15.3ppt YoY. The overall operational efficiency of the Group improved YoY. Profit attributable to owners of the Company was approximately RMB41.3 million, an increase of 133.9% YoY, and basic earnings per share was RMB0.9 cent.

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**Mr. Chopin ZHANG, Chief Executive Officer of Yashili**, said, “The new policy for milk powder products implemented in China has raised the bar for industry players commanding them to be more scrupulous in meeting milk powder production standards and also in channel management. Taking a lead in the industry in the number of registered recipes, **Yashili** has applied its profound scientific research techniques and resources to quickly respond to changes in market demand and made progress in registration of milk powder recipes, cooperation on production with overseas factories and nutritional product research & development. As a result, it was able to achieve a turnaround in sales. Tapping into the FIFA World Cup and the core IP resources of CCTV’s “Craftsmanship Brand” program, ‘**Yashily**’, ‘**Reeborne**’ and ‘**Dumex**’ have boarded the international stage as representatives of China's high-quality milk powder. Also, at its effort to continuously optimize sales model and transform sales channels, and integrate back-office management and supply chain, **Yashili** achieved desired business performance in 1H 2018, testifying to its determination to gather global resources for the health of Chinese babies.”

### **The Sales Proportion of High-end Infant Formula Milk Powder Continually Increased**

Revenue from Yashili’s overall milk powder products witnessed an increase of 39.4% from the same period last year. Among infant formula products, the share of sales of high-end infant formula increased from 22.5% in 1H 2017 to 42.3% in 1H 2018.

### **Creating a "Craftsmanship Brand " with a Craftsman’s Spirit Joining Hands with FIFA World Cup to Open New Era of Internationalization**

In 1H 2018, **Yashili** redefined the mission and positioning of the Group and its product brands, and established a clear brand proposition “Bring Everything You Desire to Everyone You Love”, as well as unveiled its new logo  , “The ‘Y’ on Earth”, which conveys **Yashili**'s vision of "Integration from All around the Globe". At the same time, the Group tapped the core IP resources of CCTV’s “Craftsmanship Brand” program and launched 360 degrees’ all-inclusive online and offline brand promotion to highlight to the world **Yashili**’s spirit of "Focus, Perseverance and Craftsmanship". The Group’s respect for professionalism also earned for it high industry recognition. **Yashili** was awarded the “2017 Quality Gold Award for Yashily-branded Infant Formula Milk Powder” and the “2017 Quality Gold Award for Mengniu Reeborne-branded Infant Formula Milk Powder” by the China Dairy Industry Association.

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Furthermore, as Official Milk Powder of 2018 FIFA World Cup, **Yashili**'s various brands including **“Yashily”**, **“Reeborne”**, and **“Dumex”** all launched relevant promotion and sales activities. By preliminary count, the Group had organized more than 1,000 large-scale parent-child roadshows across the country, featuring elements of soccer and various soccer-related parent-child games to let participants feel the care from Official Milk Powder of 2018 FIFA World Cup. The Group's efforts had notably raised consumer awareness and acceptance of its brands.

In addition to brand building effort in the market, **Yashili** also made major reformation internally. Based on business units, **Yashili** actively promoted formula upgrade to more precisely allocate resources for different product lines with comprehensive product strategic positioning: **“Yashily”** and **“Dumex”** for the mid-range and high-end market, **“Reeborne”** and **“Doraler”** for the high-end market and **“Arla Baby&Me”** for the ultra-high-end market. The Group is striving to achieve coverage of all level markets.

### **Leading the Pack under New Milk Powder Policy Strengthening Product R&D and Innovation.**

**Yashili** continues to lead the industry in terms of the number of registered recipes it owns. It has also kept strengthening product research and development to ensure its milk powder stays competitive in the new policy environment. Regarding recipe registration, as of August 2018, **Yashili** had received approval for 16 series and 48 recipes (including **“Arla Baby&Me”**). The Group actively developed the organic and goat milk niche markets and launched two organic milk powder products under the brands **“Arla Baby&Me”** and **“Reeborne”** brands, and two goat milk products carrying the **“Doraler”** and **“Dumex”** brands, providing more comprehensive choices of domestic milk powder products in the market under new policy setting.

Building differentiated product advantages is a key strategy of **Yashili**. Always abreast of leading international technologies, the Group has kept introducing various new elements in the design of new infant formula products with “Organic”, “Goat milk powder” and “OPO” as key features and the aim of laying a solid foundation for producing quality milk powder for Chinese babies and the strategic recipe innovation.

In addition to focusing on R&D and operation of its infant milk powder brands, the Group is also very much alive to the issue of an aging population in China. Thus, it has worked hard on developing milk powder for the middle-aged and elderly under the **“Yourui”** brand. The series includes a formula for intestinal health (**“Shunyi”**), a formula for stabilizing blood sugar (**“Yitian”**) and a formula for healthy joints (**“Guyi”**), offering better choices to middle-aged and elderly consumers.

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### **Cultivating Key Channels Starting Digital Transformation Project**

**Yashili** has been relentless in developing channels. With regard to the mother-and-baby store channel, it has established direct presence in counties and townships, taking **Yashili's** channel penetration into lower-tier markets. In modern trade, the Group, based on its main channel KA markets for adult milk powder, has set up a team to better define the modern trade channels and products befitting for sale via those channels, consolidate and enlarge the milk powder market, boost the edge of advantages in the market and maintain firm leadership in the organic market.

In 1H 2018, **Yashili** built its new marketing management platform, carried out channel integration and platform-based precise management, and applied bar code that combines consumer interaction to enhance consumer stickiness. In particular, the Group is able to use Big Data to more precisely analyze members' consumption patterns hence implement precision marketing and traceability, thereby helping brace consumer confidence as well as improve logistics efficiency.

**Mr. Chopin ZHANG** concluded, "In recent years, the global dairy product market has seen many changes and the Chinese dairy industry is integrating gradually into the international market. In the course of internationalization, **Yashili** has pushed for technological progress and to build an international brand, which can help it reduce costs, compete directly with foreign products in the domestic market and secure milk source bases in the international market. By going out then bringing it, the Group hopes to ultimately take its brand international, make sure the company maintains advanced international quality management standard and gains the trust of consumers. In the future, we will continue to step up R&D efforts and enhance brand building, and will never compromise on quality. We are committed to bringing together high-quality resources from around the world and carefully selecting each batch of raw materials for Chinese babies, to the end of ensuring every microgram of **Yashili** milk powder is trustworthy. "

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**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, with such major brands as Yashily, Reeborne, Dumex, Arla and Scient. The Group also sells various adult powders including adult powder under the Mengniu brand, milk powder for adults and teenagers under the Youyi brand, and milk powder for the middle-aged and the elderly under the Huanqing brand, together with such dissolvable products as 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](http://www.yashili.com) for more information.

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