



Yashili Achieves Continuous Gross Profit Growth in 1H 2019

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Realizes World-class Quality Production And Focuses on High-Growth and High Profit Products

Results Highlights (Unaudited):

(RMB million)	2018 1H	2019 1H	Change (YoY)	Change (HoH)
Revenue	1,504.1	1,747.4	16.2%	15.9%
Gross Profit	652.9	769.0	17.8%	42.2%
Net profit margin	2.7%	2.0%	-0.7ppt	1.2ppt
Profit Attributable to Owners of the Company	41.3 ⁽¹⁾	34.3	-17.0%	212.3%
Basic Earnings per Share (RMB cents)	0.9	0.7	-22.2%	250.0%

Note: (1) The profit attributable to equity holders of the Company for the first half of 2018 included one-off non-operating net income of RMB39.0 million.

(Hong Kong, 29 August 2019) – **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 2019.

In the first half of 2019, the Group promoted the growth in sales volume by making its all-out efforts to focus infant formula on the mother-and-baby store channel, and milk powder for adults together with nutrition food products on the KA channel, gradually phasing out products with low production value and gross profit, and fully upgrading its brand image. The Group’s business strategies bear fruit, with continuous growth in its revenue, up by 16.2% year-on-year to RMB1,747.4 million. In addition, the Group is committed to increasing the proportion of revenue contribution of the sales of high-end products with high margin, so gross profit increased to increased by 17.8% year-on-year to RMB769.0 million. In addition, selling and distribution expenses ratio decreased by 2.9ppts from 38.1% in 1H2018 to 35.2% in 1H2019. Profit attributable to owners of the Company was approximately RMB34.3 million, an increase of 212.3% when compared with the second six-month period last year, and basic earnings per share were RMB0.7 cents.

Mr. Chopin ZHANG, Chief Executive Officer of Yashili, said, “With the development trend of China’s milk powder market towards premiumization, and the intense competition from imported brands, the Chinese government has issued a series of policies to enhance the quality of infant formula, encourage infant formula enterprises to conduct mergers and reorganization to eliminate outdated production capacities, and provide tax incentives for enterprises that “go global” to establish milk source bases and processing plants. In the second half of 2019, the Chinese government will further deepen the supervision of the quality of infant formula. As an industry leader, Yashili seizes the development opportunities brought by industry upgrade, with its continuous deployment of world-class milk sources, pursuit of high product quality, focus on high growth and high net profit products, adoption of innovative brand strategies, and whole channel sales strategies and digitalization of management model.”

Enhancement of National Brand Image and Influential Celebrities Endorsement

In the first half of 2019, the Group signed on two famous celebrities, Yao Chen and Huang Jingyu, as the global brand spokespersons for Yashili and Doraler respectively, to enhance its brand image. The Group has continued to enhance its endorsement in CCTV by increasing advertising in CCTV, including on its News, TV series and children channels, such as CCTV-1, CCTV-13, CCTV-8, CCTV-14, to fully cover consumer groups of distributors and mothers as well as to strengthen its national brand image.

Apart from traditional brand promotions, the Group introduced innovative experience marketing, launched an integrated marketing activity of “A Journey of Tracing the Source of Five Countries in Three Continents” (三洲五國溯源之旅) and became the title sponsor of “Feel The World” (慢遊全世界), the first exclusive travel IP program of iQIYI to show the public its four overseas milk sources and production bases. At the same time, it attracts attention from nationwide and global audiences and tourists by cooperating with the Canton Tower, the landmark of Guangzhou. The Group’s brands have strongly penetrated into Tik Tok and other popular social network platforms to get closer to consumers through various means including operating accounts with distinct character and interesting Tik Tok challenges.

Implementing “Three Quality Years”, Creating a Competitive Advantage with Differentiated and High-Quality Products

At the beginning of 2019, the Group had decided on its “three quality years” solution to continuously intensifying quality improvement activities to maintain the high quality of products. As creating a competitive advantage with differentiated products is the Group’s key strategy, the Group continues to innovate and develop infant formula products that are close to breast milk in terms of nutrition. In the first half of 2019, the Group made good progress in the registration of recipes, as well as research and technology of nutritional products. The Group’s partner Arla have two more infant formula products approved for recipe registration.

In the second half of 2019, The Group will implement a multi-dimensional differentiated layout, continue to optimize product recipes, put more effort in designing unique formulae

to cater for demands of consumer groups in different age stages including children, teenagers, adults, middle-aged and elderly people, and develop more new products and introduce diverse choices in terms of packaging and product specifications, to cover high, medium and low-end markets with a diversified product portfolio. The Group will continue its efforts to consolidate milk powder products, enhance the overall competitiveness of organic milk powder products and adopt an efficient distribution strategy in goat milk segment to form a synergetic mechanism between brand value and pricing strategy.

The Group is committed to the construction of product quality tracking systems. All infant formula products under the Group have achieved “One can, one code”. In 2019, the Group has become one of the pilot enterprises for the construction of infant formula quality and safety tracking system. The Group’s internal product tracking information will be gradually upgraded into the platform of the Ministry of Industry and Information Technology of China (the “MIIT”), with an aim to provide consumers with an access to key information in relation to products and enterprises. This is a testament of the Group’s confidence in its product quality.

Solidifying Core Market for Mother-and-Baby Stores, Expanding Business with KA of Modern Trade and the E-commerce Channel

As for infant formula products, the Group improved clients’ profit by enhancing distribution in third- and fourth-tier cities as well as penetrating into counties and towns. The Group focused on increasing sales channel output in the second- and third-tier cities, continued to solidify core market for mother-and-baby stores as well as expanded into middle and large-scale mother-and-baby stores and KA shopping malls.

As for milk powder for adults, the Group focused on the expansion in KA of modern trade. While strengthening and increasing the market share of milk powder products for adults such as “Youyi” and “Yourui”, the Group also developed milk powder products for adults and innovative dissolvable products for emerging demand.

The Group fully utilized e-commerce resources such as Tmall New Retail, Alimama and other digital media delivery platforms by leveraging on close cooperation with Alibaba Group, achieving extensive product sales.

Refined and Digitized Management to Realize World-Class Quality Production

The Group strengthened the refined management of quality control during production, increased its investment in supply chain digitization projects, launched Yashili’s middle platform construction and began to introduce a world-class supply chain operation and management system. At the same time, the Group strengthened the management of the demand model, reached out to front-line market, actively grasped the market demand and fully adjusted the inventory structure and improved the speed of order responding. The Group also strengthened the digitization process of distributors and stores, used smart terminals to empower stores and shopping guides as well as enhanced the linkage with consumers through membership and credits.

The Group will continue to optimize its internal management, and to realize and improve informatization management of channels through its collaboration with Alibaba Cloud, so as to keep track of the operating data from channels and customers, and ultimately provide customers with products and services that conform to the market requirement. Besides, the Group will further promote big data analysis and application to improve service experience of frontline consumers.

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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 major infant formula milk powder brands as Yashily, Reeborne, Dumex, Arla and Doraler. 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 Yourui for the middle-aged and the elderly, 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 for more information.

For Enquiries:

Strategic Financial Relations (China) Limited

Jover Wong	Tel: +852 2864 4845
Kate Chan	Tel: +852 2864 4949
Christina Chong	Tel: +852 2864 4899
Colman Li	Tel: +852 2864 4846

Email: sprg-yashili@sprg.com.hk