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Yashili International Holdings Ltd

雅士利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1230)

**CONNECTED TRANSACTION —
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
YASHILI INTERNATIONAL INVESTMENT LIMITED**

THE DISPOSAL

The Board is pleased to announce that on 19 September 2014, Yashili (BVI) entered into the Equity Transfer Agreement with Zhang International to sell 100% of the equity interests in Yashili International Investment to Zhang International for a consideration of RMB213.4 million (equivalent to approximately HK\$269.2 million), all of which is to be payable in cash.

Yashili International Investment's only asset is 100% of the equity interest in Yashili (China) and the principal asset of Yashili (China) is the Property.

LISTING RULES IMPLICATIONS

Zhang International is owned as to 18% by Mr. Zhang Lidian, 18% by Mr. Zhang Lihui, 18% by Mr. Zhang Likun, 18% by Mr. Zhang Liming, 18% by Mr. Zhang Libo, and 10% by Ms. She Lifang. Mr. Zhang Lidian is an executive Director. Each of Mr. Zhang Lihui, Mr. Zhang Likun, Mr. Zhang Liming and Mr. Zhang Libo is a brother of Mr. Zhang Lidian and therefore an associate of Mr. Zhang Lidian. Ms. She Lifang is a sister-in-law of Mr. Zhang Lidian and therefore a deemed connected person of Mr. Zhang Lidian. As Mr. Zhang Lidian, together with Mr. Zhang Lihui, Mr. Zhang Likun, Mr. Zhang Liming, Mr. Zhang Libo and Ms. She Lifang together can exercise or control the exercise of more than 50% of the voting power at the general meetings of Zhang International, Zhang International is a connected person of the Company. As Yashili (BVI) is a wholly-owned subsidiary of Yashili, the Disposal constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules in respect of the Disposal is less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 19 September 2014, Yashili (BVI) entered into the Equity Transfer Agreement with Zhang International to sell 100% of the equity interests in Yashili International Investment to Zhang International for a consideration of RMB213.4 million (equivalent to approximately HK\$269.2 million), all of which is to be payable in cash.

THE EQUITY TRANSFER AGREEMENT

Date

19 September 2014

Parties

Seller: Yashili (BVI)

Purchaser: Zhang International

Subject of the Disposal

Pursuant to the Equity Transfer Agreement, Yashili (BVI) agreed to sell, and Zhang International agreed to acquire, 100% of the equity interest in Yashili International Investment. Further details of Yashili International Investment are set forth in the section entitled “Information on Yashili International Investment” below.

Consideration and payment terms

The consideration for the Disposal is RMB213.4 million (equivalent to approximately HK\$269.2 million), all of which is to be payable in cash. The consideration for the Disposal was determined based on normal commercial terms and arm’s length negotiation between Yashili (BVI) and Zhang International, and taking into account the net asset value of Yashili International Investment (and in turn, the net asset value of Yashili (China)) as determined by an independent third party valuer.

The consideration for the Disposal shall be paid in cash by Zhang International to Yashili (BVI) within 10 days after the execution of the Equity Transfer Agreement.

Completion

Completion shall take place at a time mutually agreed by the parties. At Completion, each of the parties shall, among other things, deliver to the other party the duly executed instrument of transfer and bought and sold notes in relation to the Disposal and Zhang International shall pay the consideration to the Yashili (BVI)’s designated bank account.

Upon Completion, Yashili International Investment will no longer be a subsidiary of the Company and accordingly, its results, assets and liabilities will not be consolidated into the financial statement of the Company after the completion of the Disposal.

Other material term

Upon Completion, Zhang International is entitled to continue to use “Yashili” as the company name of Yashili International Investment. However, Zhang International undertakes to procure Yashili (China) to change its company name to a name without the description of “China” or other similar wording within three years upon Completion (the “**Change of Name**”). If the Change of Name is not completed within four years upon Completion, Yashili (BVI) and its subsidiaries have the right to claim against Zhang International and Yashili (China) for a 10% penalty calculated based on the consideration for the Disposal.

INFORMATION ON YASHILI INTERNATIONAL INVESTMENT

Yashili International Investment's only asset is 100% of the equity interest in Yashili (China) and the principal asset of Yashili (China) is the Property. The Property was originally planned for the construction of the Company's domestic headquarters and research and development centre. According to the valuation conducted by an independent third party valuer, the net asset value of Yashili International Investment (and in turn, the net asset value of Yashili (China)) is RMB213.4 million.

The following is a summary of the audited consolidated financial statements of Yashili (China) for the two financial years immediately preceding the date of the Disposal:

	For the year ended 31 December 2012 <i>RMB million</i>	For the year ended 31 December 2013 <i>RMB million</i>
Profit/(Loss) before taxation	1.5	(0.5)
Profit/(Loss) for the year	1.1	(0.5)

As at 31 December 2013, the audited consolidated net asset value of Yashili (China) was approximately RMB200.0 million.

INFORMATION ON THE COMPANY, YASHILI (BVI) AND ZHANG INTERNATIONAL

The Company is an investment holding company, which, along with its subsidiaries, is primarily engaged in the manufacturing and selling of dairy and nourishment products. It operates in four segments in the PRC: (i) Yashili pediatric milk formula products segment; (ii) Scient pediatric milk formula products segment; (iii) nutrition products segment and (iv) other segments, including the production and sale of packing materials and sale of surplus raw materials. Yashili is a leading player in PRC's paediatric milk formula industry, and also has a leading position in the soymilk powder market in China.

Yashili (BVI) is a company incorporated in the British Virgin Islands and is a direct wholly-owned subsidiary of the Company. Its principal business is investment holding.

Zhang International is a limited liability company incorporated under the laws of the British Virgin Islands and is owned as to 18% by Mr. Zhang Lihui, 18% by Mr. Zhang Likun, 18% by Mr. Zhang Liming, 18% by Mr. Zhang Lidian, 18% by Mr. Zhang Libo and 10% by Ms. She Lifang. Its principal business is investment holding.

REASONS AND BENEFITS FOR THE DISPOSAL

The Directors consider that the Disposal will enable the Company to have more flexibility in terms of determining where to establish its domestic headquarters and research and development centre.

The Directors (including the independent non-executive Directors) believe that the terms of the Disposal are fair and reasonable and in the interests of the shareholders of the Company as a whole.

As Mr. Zhang Lidian is a shareholder and a director of Zhang International, and Mr. Zhang Yanpeng is a nephew of Mr. Zhang Lidian, they were required to abstain from voting on the board resolutions for considering and approving the Equity Transfer Agreement and the Disposal. Apart from the above, none of the Directors has a material interest in the Equity Transfer Agreement and/or the Disposal.

FINANCIAL EFFECT OF THE ACQUISITION AND USE OF PROCEEDS

The net proceeds (after deducting the estimated expenses for the Disposal) arising from the Disposal are expected to be approximately RMB211.6 million (equivalent to approximately HK\$266.9 million). The Company intends to utilize the net proceeds from the Disposal for the construction of new production facilities and research and development centre.

The expected net gain to be derived by the Company from the Disposal will amount to approximately RMB11.6 million (equivalent to approximately HK\$14.6 million), which represents the difference between (1) the net proceeds of approximately RMB211.6 million (equivalent to approximately HK\$266.9 million) (after deducting the estimated expenses for the Disposal) arising from the Disposal; and (2) the aggregate sum of the carrying amounts of the net asset value of Yashili (China) of approximately RMB200.0 million (equivalent to approximately HK\$252.3 million) in the audited consolidated financial statements of Yashili (China) as at 31 December 2013). Such calculation is only an estimate provided for illustrative purpose.

LISTING RULES IMPLICATIONS

Zhang International is owned as to 18% by Mr. Zhang Lidian, 18% by Mr. Zhang Lihui, 18% by Mr. Zhang Likun, 18% by Mr. Zhang Liming, 18% by Mr. Zhang Libo, and 10% by Ms. She Lifang. Mr. Zhang Lidian is an executive Director. Each of Mr. Zhang Lihui, Mr. Zhang Likun, Mr. Zhang Liming and Mr. Zhang Libo is a brother of Mr. Zhang Lidian and therefore an associate of Mr. Zhang Lidian. Ms. She Lifang is a sister-in-law of Mr. Zhang Lidian and therefore a deemed connected person of Mr. Zhang Lidian. As Mr. Zhang Lidian, together with Mr. Zhang Lihui, Mr. Zhang Likun, Mr. Zhang Liming, Mr. Zhang Libo and Ms. She Lifang together can exercise or control the exercise of more than 50% of the voting power at the general meetings of

Zhang International, Zhang International is a connected person of the Company. As Yashili (BVI) is a wholly-owned subsidiary of Yashili, the Disposal constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules in respect of the Disposal is less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Yashili International Holdings Ltd, a company incorporated in the Cayman Islands with limited liability and with its shares listed on the Main board of the Stock Exchange (stock code: 1230)
“Completion”	the completion of the Disposal
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the sale of 100% of the equity interests in Yashili International Investment by Yashili (BVI) to Zhang International for a consideration of RMB213.4 million (equivalent to approximately HK\$269.2 million), all of which is to be payable in cash
“Equity Transfer Agreement”	the equity transfer agreement entered into on 19 September 2014 between Yashili (BVI) and Zhang International in connection with the Disposal
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

“percentage ratio(s)”	the percentage ratio(s) set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC” or “China”	the People’s Republic of China, not including Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“Property”	A piece of land located in Zhu Jiang New Town, Shantou, PRC with a gross area of 10,193.30 square meters of which was acquired by Yashili (China) at a consideration of RMB86 million.
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules
“Yashili (BVI)”	Yashili International Ltd. (雅士利國際有限公司), a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“Yashili (China)”	Yashili (China) Co., Ltd.* (雅士利(中國)有限公司), a company incorporated in the PRC and a direct wholly-owned subsidiary of Yashili International Investment
“Yashili International Investment”	Yashili International Investment Limited (雅士利國際投資有限公司(香港)), a company incorporated in Hong Kong and as of the date of this announcement, a direct wholly-owned subsidiary of Yashili (BVI)
“Zhang International”	Zhang International Investment Ltd. (張氏國際投資有限公司), a limited liability company incorporated on 25 May 2010 under the laws of the British Virgin Islands, owned as to 18% by Mr. Zhang Lihui, 18% by Mr. Zhang Likun, 18% by Mr. Zhang Liming, 18% by Mr. Zhang Lidian, 18% by Mr. Zhang Libo and 10% by Ms. She Lifang, and engages in investment holding
“%”	per cent

* *English names of the PRC entities are the literal translations of their Chinese names are included for identification purposes only.*

* *This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.79286 to HK\$1.00. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.*

By order of the board of directors of
Yashili International Holdings Ltd
雅士利國際控股有限公司
Sun Yiping
Chairman

Hong Kong, 19 September 2014

As at the date of this announcement, the board of directors of the Company comprises: Ms. Sun Yiping (Chairman), Mr. Bai Ying and Mr. Wu Jingshui as non-executive directors; Mr. Li Dongming, Mr. Zhang Lidian and Mr. Zhang Yanpeng as executive directors; and Mr. Cheng Shoutai, Mr. Lee Kong Wai Conway, and Mr. Mok Wai Bun Ben as independent non-executive directors.