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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
SETTLEMENT AGREEMENT BETWEEN MAANSHAN TRADING
AND INNER MONGOLIA MENGNIU**

On 16 March 2018, Maanshan Trading, a subsidiary of the Company, entered into the Settlement Agreement with Inner Mongolia Mengniu, a subsidiary of Mengniu Dairy, in respect of the settlement between Maanshan Trading and Inner Mongolia Mengniu of the consideration for the purchase of tickets for the 2018 FIFA World Cup by Maanshan Trading from FIFA through Inner Mongolia Mengniu.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Mengniu International, a subsidiary of Mengniu Dairy, holds 51.04% of the shares of the Company and is a substantial shareholder of the Company. Therefore, Mengniu Dairy is a connected person of the Company. As Inner Mongolia Mengniu is a subsidiary of Mengniu Dairy and Maanshan Trading is a subsidiary of the Company, the entering into of the Settlement Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Settlement Agreement exceeds 0.1% but is less than 5%, the Settlement Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE SETTLEMENT AGREEMENT

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Date	16 March 2018
Parties	Inner Mongolia Mengniu and Maanshan Trading
Nature of Transaction	Settlement between Maanshan Trading and Inner Mongolia Mengniu of the consideration for the purchase of tickets for the 2018 FIFA World Cup by Maanshan Trading from FIFA through Inner Mongolia Mengniu. Maanshan Trading plans to distribute the tickets it purchased from FIFA through Inner Mongolia Mengniu to customers of the Group as part of the marketing activities of the Group.
Quantity	1,628 tickets in total
Price	The price for each of the tickets purchased by Maanshan Trading from FIFA through Inner Mongolia Mengniu is determined by FIFA. No premium is charged by Inner Mongolia Mengniu on the tickets.
Total Consideration	US\$514,174.2 (equivalent to approximately HK\$4.0 million)
Payment Terms	Payment shall be made by Maanshan Trading to Inner Mongolia Mengniu within 15 business days after receipt of the relevant invoice

The price and terms of the Settlement Agreement (including the amount payable by Maanshan Trading to Inner Mongolia Mengniu) were determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and no more favourable to Inner Mongolia Mengniu than those available to the Company from independent third parties.

INFORMATION ON THE COMPANY, MAANSHAN TRADING AND INNER MONGOLIA MENGNIU

The Company is an investment holding company, which, along with its subsidiaries, is primarily engaged in the manufacturing and sale of dairy and nourishment products. It operates in the following segments in the PRC: (i) Yashili pediatric milk formula products segment; (ii) Scient pediatric milk formula products segment; (iii) Oushi, Arla and Dumex products segment; (iv) nutrition products

segment and (v) other segments, including the production and sale of packing materials and sale of surplus raw materials. The Company is a leading player in the PRC's paediatric milk formula industry and also has a leading position in the soymilk powder market in the PRC.

Maanshan Trading is a company incorporated in the PRC and a wholly-owned subsidiary of the Company. It is primarily engaged in the wholesale and retail of dairy products.

Inner Mongolia Mengniu is a company established in the PRC and a subsidiary of Mengniu Dairy. It is primarily engaged in the manufacturing and sale of dairy products.

REASONS FOR AND BENEFITS OF THE SETTLEMENT AGREEMENT

Inner Mongolia Mengniu is a sponsor of the 2018 FIFA World Cup and has preferential right in the allocation of tickets for the 2018 FIFA World Cup. The Directors are of the view that the Settlement Agreement and the transactions contemplated thereunder would support the marketing activities of the Group.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Mengniu International, a subsidiary of Mengniu Dairy, holds 51.04% of the shares of the Company and is a substantial shareholder of the Company. Therefore, Mengniu Dairy is a connected person of the Company. As Inner Mongolia Mengniu is a subsidiary of Mengniu Dairy and Maanshan Trading is a subsidiary of the Company, the entering into of the Settlement Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Settlement Agreement exceeds 0.1% but is less than 5%, the Settlement Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors but excluding Mr. Jeffrey, Minfang Lu and Mr. Zhang Ping) are of the view that the Settlement Agreement and the transactions contemplated thereunder are conducted on arm's length basis and on normal commercial terms in the ordinary and usual course of business of the Company and that the terms of Settlement Agreement are fair and reasonable and the Settlement Agreement and the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole.

Mr. Jeffrey, Minfang Lu is an executive director and chief executive officer of Mengniu Dairy. Mr. Zhang Ping is the chief financial officer of Mengniu Dairy. Accordingly, each of Mr. Jeffrey, Minfang Lu and Mr. Zhang Ping is considered to have a material interest in the Settlement Agreement and the transactions contemplated thereunder. As such, each of Mr. Jeffrey, Minfang Lu and Mr. Zhang Ping has abstained from voting on the relevant board resolutions approving the Settlement Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Company”	Yashili International Holdings Ltd, a company listed on the Main Board of the Stock Exchange (stock code: 1230)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“FIFA”	Fédération Internationale de Football Association
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong Special Administrative Region of the PRC
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Co., Ltd.* (內蒙古蒙牛乳業(集團)股份有限公司), a company established in the PRC and a subsidiary of Mengniu Dairy
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maanshan Trading”	Yashili Dairy (Maanshan) Trading Limited* (雅士利乳業(馬鞍山)銷售有限公司), a wholly-owned subsidiary of the Company
“Mengniu Dairy”	China Mengniu Dairy Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2319)
“Mengniu Group”	Mengniu Dairy and its subsidiaries
“Mengniu International”	China Mengniu International Company Limited, a company incorporated in the British Virgin Islands and a subsidiary of Mengniu Dairy. As at the date of this announcement, it is a substantial shareholder of the Company, holding approximately 51.04% of the issued share capital of the Company
“PRC”	the People’s Republic of China

“Settlement Agreement”	the settlement agreement dated 16 March 2018 between Maanshan Trading and Inner Mongolia Mengniu in respect of the settlement between Maanshan Trading and Inner Mongolia Mengniu of the consideration for the purchase of tickets for the 2018 FIFA World Cup by Maanshan Trading from FIFA through Inner Mongolia Mengniu
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
US\$	United States dollar(s)
%	per cent.

* *English names of the PRC entities are literal translation of their Chinese names and are included for identification purpose only.*

This announcement contains translation between US\$ and Hong Kong dollars at US\$1.00 to HK\$7.843. The translation shall not be taken as representation that US\$ 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
Chopin Zhang
Chief Executive Officer and Executive Director

Hong Kong, 16 March 2018

As at the date of this announcement, the board of directors of the Company comprises: Mr. Jeffrey, Minfang Lu (Chairman), Mr. Qin Peng, Mr. Zhang Ping and Ms. Lam Pik Po, Katty as non-executive directors; Mr. Chopin Zhang as executive director; and Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway as independent non-executive directors.