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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: 01230)

**CONTINUING CONNECTED TRANSACTION
SUPPLY AGREEMENT WITH BURRA FOODS**

On 26 April 2018, Newou, a wholly-owned subsidiary of the Company, entered into the Supply Agreement with Burra Foods, pursuant to which Newou agreed to purchase, and Burra Foods agreed to sell, Base Powder Products from time to time during the term of the Supply Agreement on the same terms and conditions as provided in the Framework Purchase Agreement.

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. Burra Foods is owned as to 51.35% by Fuyuan Farming, which is in turn owned as to 42.3% by Mengniu Dairy. Therefore, each of Burra Foods and Fuyuan Farming is an associate of Mengniu Dairy under Rule 14A.13(3) of the Listing Rules and a connected person of the Company.

Newou is a subsidiary of the Company. Therefore, the entering into of the Supply Agreement and the Purchase Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Supply Agreement exceeds 0.1% but is less than 5%, the Supply Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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Date	26 April 2018
Parties	(1) Newou as purchaser (2) Burra Foods as supplier
Nature of Transaction	Sale and purchase of Base Powder Products. The exact types and volume of Base Powder Products purchased as well as the location and dates of delivery will be determined by mutual agreement between the parties and specified in individual purchase orders.
Duration	The Supply Agreement shall be effective from the date of execution to 30 June 2018. If Newou and Burra Foods enter into a new supply agreement before 30 June 2018, such agreement shall supersede the Supply Agreement.
Pricing Terms	The supply and purchase of Base Powder Products under the Supply Agreement shall be conducted on the same terms and conditions as provided in the Framework Purchase Agreement. The price of Base Powder Products purchased under the Supply Agreement will be negotiated by the parties on an arm's length basis, determined by mutual agreement between the parties in the ordinary course of business on normal commercial terms and based on cost plus a reasonable profit margin with reference to the applicable Incoterms and payment terms as well as raw material prices, costs of labour, fixed overheads, utilities, manufacturing costs, government regulations and requirements, taxes, excises, government duties and other factors. For each individual purchase order, the Group will seek quotations from at least two suppliers which are independent third parties offering the same type of Base Powder Products, and will ensure that the purchase price for Base Powder Products from Burra Foods under the individual purchase order are not less favourable to the Group than those offered by such independent third parties.
Payment Terms	Payment for each delivery shall be made within 30 days of the provision of each initial and final invoice

HISTORICAL TRANSACTION AMOUNT

Pursuant to the Framework Purchase Agreement, Newou has purchased Base Powder Products from Burra Foods during the period from 12 May 2017 to 31 December 2017. The value of the transactions under the Framework Purchase Agreement was RMB16.52 million (equivalent to HK\$20.50 million). For further information about the Framework Purchase Agreement, please refer to the announcement of the Company dated 19 May 2017.

ANNUAL CAP

The annual cap in respect of the Purchase Transactions during the term of the Supply Agreement shall be AUD5 million (equivalent to approximately HK\$30 million). The annual cap was determined after taking into account (i) the types of Base Powder Products purchased; (ii) the unit price of the relevant Base Powder Product purchased; and (iii) the expected volume of Base Powder Product to be purchased by Newou during the term of the Supply Agreement determined based on the Group's production plan and sales forecasts.

INFORMATION ON THE COMPANY, NEWOU AND BURRA FOODS

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: (i) production and sale of infant milk formula products (including the development, manufacture and sale of infant milk formula products in the PRC and overseas); (ii) production and sale of nutrition products (including the development, manufacture and sale of milk powder for adults and teenagers, soymilk powder, rice flour and cereal products in the PRC and overseas); and (iii) other operations (mainly including the production and sale of packing materials mainly for the Group's internal use, the sale of surplus raw materials and the sale of base-powder).

Newou is a company established in Hong Kong and a wholly-owned subsidiary of the Company. It is principally engaged in the import and export of dairy products and related materials.

Burra Foods is a company incorporated in Australia. It is engaged in the processing and distribution of specialised dairy ingredients.

REASONS FOR AND BENEFITS OF THE PURCHASE TRANSACTIONS

The Directors expect that the Purchase Transactions would enable Newou to procure high quality raw materials from a stable source, which would lay a solid foundation for the Group's expansion into high-end product categories. The Directors (including the independent non-executive Directors but excluding Mr. Jeffrey, Minfang Lu and Mr. Zhang Ping) are of the view that the Supply Agreement and the Purchase Transactions 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 the Supply Agreement, including the annual cap therein, are fair and reasonable and the Supply Agreement and the Purchase Transactions are in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

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. Burra Foods is owned as to 51.35% by Fuyuan Farming, which is in turn owned as to 42.3% by Mengniu Dairy. Therefore, each of Burra Foods and Fuyuan Farming is an associate of Mengniu Dairy under Rule 14A.13(3) of the Listing Rules and a connected person of the Company. Newou is a subsidiary of the Company. Therefore, the entering into of the Supply Agreement and the Purchase Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Supply Agreement exceeds 0.1% but is less than 5%, the Supply Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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 Supply Agreement and the Purchase Transactions. As such, each of Mr. Jeffrey, Minfang Lu and Mr. Zhang Ping has abstained from voting on the relevant board resolutions approving the Supply Agreement and the Purchase Transactions.

DEFINITIONS

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

“AUD”	Australian dollar, the lawful currency of Australia
“Base Powder Products”	base powder products for milk based recipes
“Burra Foods”	Burra Foods Pty Ltd, a company incorporated in Australia
“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
“Framework Purchase Agreement”	the framework purchase agreement dated 12 May 2017 between Newou and Burra Foods in respect of the purchase of Base Powder Products by Newou from Burra Foods
“Fuyuan Farming”	Inner Mongolia Fuyuan Farming Co., Ltd.* (內蒙古富源牧業有限責任公司), a company established in the PRC

“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mengniu Dairy”	China Mengniu Dairy Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2319)
“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
“Newou”	Newou Hong Kong International Co., Limited, a company established in Hong Kong and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Purchase Transactions”	the transactions contemplated under the Supply Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the supply agreement dated 26 April 2018 between Newou and Burra Foods in respect of the purchase of Base Powder Products by Newou from Burra Foods
“%”	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 RMB and Hong Kong dollars at RMB1.00 to HK\$1.241 and between Australian dollars to Hong Kong dollars at AUD1.00 to HK\$5.949. The translation shall not be taken as representation that RMB or Australian dollar 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, 26 April 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.