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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)

**CONTINUING CONNECTED TRANSACTION
PROCESSING AGREEMENT WITH
INNER MONGOLIA MENGNIU**

On May 21, 2015, Yashili (Shanxi), a subsidiary of the Company, entered into the Processing Agreement with Inner Mongolia Mengniu, a subsidiary of Mengniu, pursuant to which Yashili (Shanxi) agreed to provide processing services and production of whole milk powder and other products by Yashili (Shanxi) to Inner Mongolia Mengniu from time to time during the term of the Processing Agreement.

Mengniu International, a subsidiary of Mengniu, holds approximately 51.04% of the shares of the Company and is a substantial shareholder of the Company. Therefore, Mengniu is a connected person of the Company. As Inner Mongolia Mengniu is a subsidiary of Mengniu and Yashili (Shanxi) is a subsidiary of the Company, the entering into of the Processing Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Processing Agreement exceeds 0.1% but is less than 5%, the Processing Agreement is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE PROCESSING AGREEMENT

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Date	May 21, 2015
Parties	(1) Inner Mongolia Mengniu (2) Yashili (Shanxi)
Duration	From April 6, 2015 to December 31, 2016
Nature of Transaction	Inner Mongolia shall provide the raw materials to Yashili (Shanxi) for Yashili (Shanxi) to process them into whole milk powder and other products for Inner Mongolia in accordance with the prescribed quality standards as set out in the Processing Agreement.
Pricing Terms	For each tonne of whole milk powder processed by Yashili (Shanxi) which fulfils the prescribed quality standards set by Inner Mongolia, a processing fee will be charged by Yashili (Shanxi). Such processing fee shall be calculated with reference to general industry standards and rates as well as Yashili (Shanxi)'s actual production levels.
Payment Terms	Yashili (Shanxi) shall provide Inner Mongolia with the invoice in respect of the processing fee for the previous month before the 15th day of each month. Payment shall be made by Inner Mongolia within 14 working days upon the receipt of the relevant invoice.

The price and terms of the transactions contemplated under the Processing Agreement were determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the Group than those available from independent third parties.

ANNUAL CAPS

The proposed annual caps in respect of the transactions contemplated under the Processing Agreement for the year ending December 31, 2015 and December 31, 2016 is RMB50,000,000 (equivalent to approximately HK\$63,401,087) and RMB80,000,000 (equivalent to approximately HK\$101,441,740) respectively. The annual caps were determined after taking into account the estimated production capacity utilization arrangements of Yashili (Shanxi).

INFORMATION ON THE COMPANY, YASHILI (SHANXI) AND INNER MONGOLIA MENGNIU

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. The Company 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 (Shanxi) is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the production and sale of dairy products.

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

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE PROCESSING AGREEMENT

The transactions contemplated under the Processing Agreement enable the Group to meet the production needs for its milk powder products as well as fully utilize and better allocate the Group's production capacities which in turn generate additional revenue to the Group.

The Directors (including the independent non-executive Directors but excluding Ms. Sun Yiping) are of the view that the Processing 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 the Processing Agreement, including the annual caps therein, are fair and reasonable, and the Processing Agreement and the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Mengniu International, a subsidiary of Mengniu, holds approximately 51.04% of the shares of the Company and is a substantial shareholder of the Company. Therefore, Mengniu is a connected person of the Company. As Inner Mongolia Mengniu is a subsidiary of Mengniu and Yashili (Shanxi) is a subsidiary of the Company, the entering into of the Processing Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Processing Agreement exceeds 0.1% but is less than 5%, the Processing Agreement is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Ms. Sun Yiping is a director of Mengniu. Accordingly, Ms. Sun Yiping is considered to have material interest in the Processing Agreement and the transactions contemplated thereunder and has abstained from voting on the relevant board resolutions approving the Processing 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
“Processing Agreement”	the processing agreement dated May 21, 2015 between Inner Mongolia Mengniu and Yashili (Shanxi) in respect of the provision of processing services and production of whole milk powder and other products by Yashili (Shanxi) to Inner Mongolia Mengniu
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong Special Administrative Region of the PRC
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Company Limited, a subsidiary of Mengniu
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mengniu”	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. 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
“RMB”	Renminbi, the lawful currency of PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yashili (Shanxi)”	Shanxi Yashili Dairy Co., Ltd., an indirect wholly-owned subsidiary of the Company
“%”	per cent.

This announcement contains translation between RMB and HKD at RMB1 to HK\$1.26802. The translation shall not be taken as representation that the RMB could actually be converted into HKD 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, May 21, 2015

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