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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
FRAMEWORK PURCHASE AGREEMENT WITH BURRA FOODS**

On 12 May 2017, Newou, a wholly-owned subsidiary of the Company, entered into the Framework Purchase 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 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 Framework Purchase 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 Framework Purchase Agreement exceeds 0.1% but is less than 5%, the Framework Purchase 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.

FRAMEWORK PURCHASE AGREEMENT WITH BURRA FOODS

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Date	12 May 2017
Parties	(1) Newou as purchaser (2) Burra Foods as seller
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	From 12 May 2017 to 31 December 2017
Pricing Terms	The price of Base Powder Products purchased under the Framework Purchase 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
Annual Cap	

The annual cap in respect of the Purchase Transactions for the year ending 31 December 2017 shall be RMB50 million (equivalent to approximately HK\$56.57 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 Framework Purchase 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 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.

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 and reduce its procurement costs for raw materials. The Directors (including the independent non-executive Directors but excluding Mr. Jeffrey, Minfang Lu and Mr. Zhang Ping) are of the view that the Framework Purchase 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 Framework Purchase Agreement, including the annual cap therein, are fair and reasonable and the Framework Purchase Agreement and the Purchase Transactions are in the interests 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 Framework Purchase 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 Framework Purchase Agreement exceeds 0.1% but is less than 5%, the Framework Purchase 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 Framework Purchase 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 Framework Purchase Agreement and the Purchase Transactions.

DEFINITIONS

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

“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 Framework Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
%	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\$1.13149. The translation shall not be taken as representation that RMB 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
Li Yuejin
Joint Company Secretary

Hong Kong, 19 May 2017

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 Mr. Huang Xiaojun as non-executive directors; Mr. Chopin Zhang and Mr. Hua Li as executive directors; and Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway as independent non-executive directors.