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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 TRANSACTIONS PROCESSING AGREEMENT WITH SHANGHAI NUTRI GO

On 11 July 2022, Yashili (Guangdong), an indirect wholly-owned subsidiary of the Company, entered into the Processing Agreement with Shanghai Nutri Go, pursuant to which Yashili (Guangdong) agreed to provide processing services in respect of NutriGo nutrition packs to Shanghai Nutri Go from time to time during the term of the Processing Agreement.

As of the date of the Processing Agreement and this announcement, Danone Asia has a 25.0% shareholding interest in the Company. Danone SA has an indirect shareholding interest of approximately 75.27% in Shanghai Nutri Go. Therefore, Shanghai Nutri Go is a connected person of the Company under the Listing Rules. As Yashili (Guangdong) is an indirect wholly-owned 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 aggregate amount of the cap of the Processing Agreement during its term exceeds 0.1% but is less than 5%, the Processing 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.

THE PROCESSING AGREEMENT

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Principal terms of the Processing Agreement are summarized below.

Date	11 July 2022
Parties	(1) Yashili (Guangdong) as service provider (2) Shanghai Nutri Go as customer
Duration	One year commencing from the date of the Processing Agreement; Yashili (Guangdong) and Shanghai Nutri Go may extend the term of the Processing Agreement by entering into written agreement.
Nature of Transaction	Yashili (Guangdong) shall provide processing services in respect of NutriGo nutrition packs to Shanghai Nutri Go in accordance with the prescribed quality standards as agreed by both parties. Yashili (Guangdong) shall be responsible for the procurement of raw materials, processing materials and packaging materials in accordance with quality standards and requirements as confirmed by Shanghai Nutri Go in writing.
Pricing Terms	Shanghai Nutri Go shall pay a processing fee to Yashili (Guangdong) in consideration for the processing services provided by Yashili (Guangdong). The processing fee shall be determined on a cost plus basis with reference to general industry standard, raw material cost, packaging cost and the processing cost. The processing fee may be adjusted based on amicable negotiations between Yashili (Guangdong) and Shanghai Nutri Go.
Payment Terms	Yashili (Guangdong) shall provide Shanghai Nutri Go with the invoice in respect of the processing fee upon delivery of the products to Shanghai Nutri Go. Payment shall be made by Shanghai Nutri Go within 92 calendar days upon receipt of the relevant invoice.

The price and terms of the Processing Agreement were determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and no more favourable to Shanghai Nutri Go than those available to the Company from independent third parties.

HISTORICAL TRANSACTION AMOUNT

During the period between 8 June 2021 to 7 June 2022, Yashili (Guangdong) provided processing services in respect of NutriGo nutrition packs to Shanghai Nutri Go pursuant to a processing agreement (the “**2021 Processing Agreement**”) between Yashili (Guangdong) and Shanghai Nutri Go dated 8 June 2021. For further information about the 2021 Processing Agreement, please refer to the announcements of the Company dated 8 June 2021 and 22 November 2021.

The transaction amount of the transactions conducted during the period from 8 June 2021 to 31 December 2021 under the 2021 Processing Agreement was RMB0.4 million (audited). The transaction amount of the transactions conducted during the period from 1 January 2022 to 7 June 2022 under the 2021 Processing Agreement was RMB1.0 million (unaudited).

ANNUAL CAP

The cap in respect of the transactions contemplated under the Processing Agreement during the period from 11 July 2022 to 31 December 2022 shall be RMB2 million, and the cap in respect of the transactions contemplated under the Processing Agreement during the period from 1 January 2023 to 10 July 2023 shall be RMB3 million.

The annual cap was determined after taking into account the expected demand for processing services in respect of NutriGo nutrition pack by Shanghai Nutri Go.

INFORMATION ON THE COMPANY, YASHILI (GUANGDONG) AND SHANGHAI NUTRI GO

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: (a) production and sale of milk powder products (including the development, manufacture and sale of milk powder products in the PRC and overseas); (b) other milk powder products (including the production and sale of base powder); (c) sale of dissolvable products (including the development, manufacture and sale of soymilk powder, rice flour and cereal products); and (d) other operations (mainly including the sale of surplus raw materials and consigned processing operation).

Yashili (Guangdong) 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.

Shanghai Nutri Go is a company incorporated in the PRC. It is primarily engaged in the wholesale of food and provision of supporting services.

REASONS FOR AND BENEFITS OF THE PROCESSING AGREEMENT

The Directors are of the view that the transactions contemplated under the Processing Agreement would generate revenue for the Group and enable the Group to explore additional business opportunities in the future.

LISTING RULES IMPLICATIONS

As of the date of the Processing Agreement and this announcement, Danone Asia has a 25.0% shareholding interest in the Company. Danone SA has an indirect shareholding interest of approximately 75.27% in Shanghai Nutri Go. Therefore, Shanghai Nutri Go is a connected person of the Company under the Listing Rules. As Yashili (Guangdong) is an indirect wholly-owned 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 aggregate amount of the cap of the Processing Agreement during its term exceeds 0.1% but is less than 5%, the Processing 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.

The Directors (including the independent non-executive Directors but excluding Mr. Qin Peng and Mr. Gu Peiji (alias Philip Gu)) 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 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.

Mr. Qin Peng and Mr. Gu Peiji (alias Philip Gu) are Directors nominated by Danone and therefore are considered to have a material interest in the Processing Agreement and the transactions contemplated thereunder. As such, each of Mr. Qin Peng and Mr. Gu Peiji (alias Philip Gu) abstained from voting on the board resolution 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
“Danone”	Danone SA, Danone Asia and other companies directly or indirectly controlled by Danone SA
“Danone Asia”	Danone Asia Baby Nutrition Pte. Ltd., a company established and existing under the laws of Singapore and an indirect wholly-owned subsidiary of Danone SA. Danone Asia is a substantial shareholder of the Company
“Danone SA”	Danone SA, a company incorporated under the laws of France, the ultimate controlling shareholder of Danone Asia
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Processing Agreement”	the processing agreement dated 11 July 2022 between Yashili (Guangdong) and Shanghai Nutri Go in respect of the provision of processing services in respect of NutriGo nutrition packs by Yashili (Guangdong) to Shanghai Nutri Go
“RMB”	Renminbi, the lawful currency of PRC
“Shanghai Nutri Go”	Shanghai Nutri Go Food Co. Ltd.* (上海起跑營養食品有限公司), a company incorporated in the PRC

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yashili (Guangdong)”	Yashili International Group Ltd.* (雅士利國際集團有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

By order of the board of directors of
Yashili International Holdings Ltd
 雅士利國際控股有限公司
Yan Zhiyuan
Chief Executive Officer and Executive Director

Hong Kong, 11 July 2022

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. Gu Peiji (alias Philip Gu) as non-executive directors; Mr. Yan Zhiyuan as executive director; and Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway as independent non-executive directors.