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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
EXTENSION OF THE TERM OF THE 2020 SUPPLY AGREEMENT
WITH MEMBERS OF DANONE**

BACKGROUND

Reference is made to the 2019 Announcements, the 2019 Circular, the 2020 Announcement, the 2020 Circular, the 2021 Announcement and the 2022 Announcement in respect of the 2020 Supply Agreement. As disclosed in the 2019 Announcements, the 2019 Circular, the 2020 Announcement, the 2020 Circular, the 2021 Announcement and the 2022 Announcement, the 2020 Supply Agreement shall expire on 31 December 2022 unless otherwise agreed by the parties in writing.

On 14 December 2022, Yashili New Zealand entered into the Extension No.3 with DAPH to extend the term of the 2020 Supply Agreement for a period of two years from 1 January 2023 to 31 December 2024 and to amend certain terms of the 2020 Supply Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Danone Asia has a 25.0% shareholding interest in the Company. DAPH is a subsidiary of Danone SA and a member of Danone. Therefore, DAPH is a connected person of the Company under the Listing Rules. Yashili New Zealand is an indirect wholly-owned subsidiary of the Company. As such, the Extension No.3 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 (other than the profits ratio) in respect of the 2020 Supply Agreement (as extended pursuant to the Extension No.3) exceeds 0.1% but is less than 5%, the Extension No.3 and the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the 2019 Announcements, the 2019 Circular, the 2020 Announcement, the 2020 Circular, the 2021 Announcement and the 2022 Announcement in respect of the 2020 Supply Agreement. As disclosed in the 2019 Announcements, the 2019 Circular, the 2020 Announcement, the 2020 Circular, the 2021 Announcement and the 2022 Announcement, the 2020 Supply Agreement shall expire on 31 December 2022 unless otherwise agreed by the parties in writing.

EXTENSION OF THE TERM OF THE 2020 SUPPLY AGREEMENT

On 14 December 2022, Yashili New Zealand entered into the Extension No.3 with DAPH to extend the term of the 2020 Supply Agreement for a period of two years from 1 January 2023 to 31 December 2024 and to amend certain terms of the 2020 Supply Agreement.

Principal terms of the Extension No.3 are summarized below.

1. Extension of the term of the 2020 Supply Agreement

(a) Duration

Pursuant to the Extension No.3, the 2020 Supply Agreement shall be extended for the Extended Term, unless terminated earlier in accordance with the terms of the 2020 Supply Agreement.

(b) Effective date

The Extension No.3 shall take effect on 1 January 2023.

2. Amendment of certain terms of the 2020 Supply Agreement

(a) Parties to the 2020 Supply Agreement

The parties will no longer supply and purchase the Products to the Purchasers' supply point Milupa GmbH, a member of Danone. Therefore, DanTrade (being the assignee of Danone ELN) will cease to be a contracting party to the 2020 Supply Agreement (as extended pursuant to the Extension No.3) for the Extended Term.

(b) *Baseline Volume for the Extended Term*

During the Extended Term, Yashili New Zealand shall supply and the Purchasers shall purchase the Products of the Baseline Volume of 2,000 MT, subject to other provisions of the 2020 Supply Agreement (as extended pursuant to the Extension No.3). Any reference to “Annual Baseline Volume” in the 2020 Supply Agreement shall be replaced by “Baseline Volume”.

(c) *Definition of Base Powder Products*

During the Extended Term, the Base Powder Products to be supplied by Yashili New Zealand to the Purchasers shall mean base powder products for follow-on formula and growing up milk based on/using Danone’s recipes as well as fat filled milk, in each case as described in the 2020 Supply Agreement (as amended and extended pursuant to the Extension No.3).

The transactions contemplated during the Extended Term under the 2020 Supply Agreement (as extended pursuant to the Extension No.3) will be conducted on the same pricing and payment terms as provided in the 2020 Supply Agreement as disclosed in the 2019 Announcements, the 2019 Circular, the 2020 Announcement, the 2020 Circular, the 2021 Announcement and the 2022 Announcement. The price and terms of the 2020 Supply Agreement (as extended pursuant to the Extension No.3) are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

HISTORICAL TRANSACTION AMOUNT

During (i) the year of 2021 and (ii) the year of 2022 up to the date of this announcement, Yashili New Zealand has supplied the Products to the Purchasers. The transaction amount of such transactions (i) during the year of 2021; and (ii) during the year of 2022 up to the date of this announcement was approximately RMB142.2 million and RMB116.4 million (unaudited), respectively.

ANNUAL CAPS

The annual caps in respect of the total consideration of the transactions contemplated under the 2020 Supply Agreement (as extended pursuant to the Extension No.3) during the Extended Term shall be the following:

	For the year ending 31 December 2023	For the year ending 31 December 2024
Annual cap	RMB50 million	RMB50 million

The above annual caps were determined with reference to the unit price of the Products and the expected purchase amount of the Products by the Purchasers during the Extended Term under the 2020 Supply Agreement (as extended pursuant to the Extension No.3).

INFORMATION ON THE COMPANY, YASHILI NEW ZEALAND AND THE PURCHASERS

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 New Zealand is a company incorporated in New Zealand and an indirect wholly-owned subsidiary of the Company. It is primarily engaged in the production and sale of dairy products.

DAPH is a company incorporated in Singapore and an indirect wholly-owned subsidiary of Danone SA. It is primarily engaged in holding activities and trading of early life nutrition related products.

REASONS FOR AND BENEFITS OF THE EXTENSION NO.3

The Directors (including the independent non-executive Directors) are of the view that the Extension No.3 and the transactions contemplated thereunder would enable Yashili New Zealand to improve its utilisation rate, thereby achieving greater synergies between the Group and Danone.

The Directors (including the independent non-executive Directors) are of the view that the Extension No.3 and the transactions contemplated thereunder is on an arm's length basis and on normal commercial terms in the ordinary and usual course of business of the Company, and that the Extension No.3 and the transactions contemplated thereunder (including the annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Danone Asia has a 25.0% shareholding interest in the Company. DAPH is a subsidiary of Danone SA and a member of Danone. Therefore, DAPH is a connected person of the Company under the Listing Rules. Yashili New Zealand is an indirect wholly-owned subsidiary of the Company. As such, the Extension No.3 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 (other than the profits ratio) in respect of the 2020 Supply Agreement (as extended pursuant to the Extension No.3) exceeds 0.1% but is less than 5%, the Extension No.3 and the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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 Extension No.3 and the transactions contemplated thereunder. As such, each of Mr. Qin Peng and Mr. Gu Peiji (alias Philip Gu) has abstained from voting on the board resolution approving the Extension No.3 and the transactions contemplated thereunder.

DEFINITIONS

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

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| “2019 Announcements” | the announcements of the Company dated 19 November 2019, 6 December 2019, 10 December 2019, 12 December 2019 and 31 December 2019, each in respect of the 2020 Supply Agreement |
| “2019 Circular” | the circular of the Company dated 12 December 2019 in respect of the 2020 Supply Agreement |
| “2020 Announcement” | the announcement of the Company dated 13 November 2020 in respect of the extension of the term of the 2020 Supply Agreement |
| “2020 Circular” | the circular of the Company dated 4 December 2020 in respect of the extension of the term of the 2020 Supply Agreement |

“2020 Supply Agreement”	the supply agreement dated 19 November 2019 between Yashili New Zealand on the one hand, and DAPH, DanTrade and Danone ELN on the other hand, in relation to the supply of the Products by Yashili New Zealand to the Purchasers and Danone ELN
“2021 Announcement”	the announcement of the Company dated 17 December 2021 in respect of the extension of the term of the 2020 Supply Agreement
“2022 Announcement”	the announcement of the Company dated 17 June 2022 in respect of the revision of annual cap of the continuing connected transactions under the 2020 Supply Agreement
“Affiliate(s)”	a company or companies of the Danone Specialized Nutrition division (a business division of Danone) that is wholly or partially owned or controlled by Danone SA
“Base Powder Products”	certain base powder products as defined in the 2020 Supply Agreement as amended and extended pursuant to the Extension No.3
“Baseline Volume”	the aggregate baseline volume during the Extended Term of all Products as defined in the 2020 Supply Agreement as amended pursuant to the Extension No.3
“Board”	the board of directors of the Company
“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 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 ELN”	Danone Trading ELN BV, a company established and existing under the laws of the Netherlands and an indirect wholly-owned subsidiary of Danone SA
“Danone SA”	Danone SA, a company incorporated under the laws of France, the ultimate controlling shareholder of Danone Asia, DAPH, DanTrade and Danone ELN
“DanTrade”	DanTrade B.V., a company established and existing under the laws of the Netherlands and an indirect wholly-owned subsidiary of Danone SA
“DAPH”	Danone Asia Pacific Holdings Pte. Ltd., a company incorporated in Singapore and an indirect wholly-owned subsidiary of Danone SA
“Directors”	the directors of the Company
“Extended Term”	the two years from 1 January 2023 to 31 December 2024
“Extension No.3”	the agreement entered into by and between Yashili New Zealand and DAPH on 14 December 2022, to extend the term of the 2020 Supply Agreement for a period of two years from 1 January 2023 to 31 December 2024 and to amend certain terms of the 2020 Supply Agreement
“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
“PRC”	the People’s Republic of China
“Products”	Base Powder Products and dairy ingredients
“Purchasers”	DAPH and Affiliates
“RMB”	Renminbi, the lawful currency of PRC

“Shareholder(s)”	person(s) whose name(s) appear on the register of members of the Company as registered holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yashili New Zealand”	Yashili New Zealand Dairy Co., Limited, a company incorporated in New Zealand and an indirect wholly-owned subsidiary of the Company
%	per cent

By order of the Board
Yashili International Holdings Ltd
 雅士利國際控股有限公司
Kwok Wai Cheong, Chris
Company Secretary

Hong Kong, 14 December 2022

As at the date of this announcement, the Board 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.