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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
EXTENSION OF THE TERM OF THE DISTRIBUTION AGREEMENT WITH
MEMBER OF THE MENGNIU GROUP**

**EXTENSION OF THE TERM OF THE DISTRIBUTION AGREEMENT WITH MEMBER OF
THE MENGNIU GROUP**

Reference is made to the announcement of the Company dated 2 October 2018 in relation to the Distribution Agreement between Yashili (Maanshan) and Inner Mongolia Digital Technology (the “**October Announcement**”). On 16 January 2019, the parties entered into an agreement to extend the term of the Distribution Agreement for three months.

As of the date of this announcement, 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, Inner Mongolia Digital Technology, an indirect subsidiary of Mengniu Dairy, is a connected person of the Company. Yashili (Maanshan) is a wholly-owned subsidiary of the Company. Accordingly, the Extension constitutes 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 Distribution Agreement (as extended pursuant to the Extension) exceeds 0.1% but is less than 5%, the Extension is subject to reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the October Announcement. As disclosed in the October Announcement, the Initial Term expired on 31 December 2018.

EXTENSION OF THE DISTRIBUTION AGREEMENT

On 16 January 2019, Inner Mongolia Digital Technology and Yashili (Maanshan) entered into an agreement to extend the term of the Distribution Agreement for three months.

HISTORICAL TRANSACTION AMOUNTS

The historical transaction amount of the transactions under the Distribution Agreement for the period from 2 October 2018 to 31 December 2018 is approximately RMB10.72 million (unaudited). And the Company confirms that the highest applicable percentage ratio (other than the profits ratio) in respect of the aggregate transaction amount is less than 0.1% under the Distribution Agreement after the expiry of the Initial Term and before the Extension becomes effective, i.e. during 1 January 2019 and 15 January 2019.

ANNUAL CAP

The cap in respect of the aggregate consideration of the transactions contemplated under the Distribution Agreement (as extended pursuant to the Extension) for the three months ending 31 March 2019 shall be RMB50 million.

The above cap was determined with reference to the expected purchase amount of the Products by Inner Mongolia Digital Technology for the three months ending 31 March 2019.

INFORMATION ON THE COMPANY, YASHILI (MAANSHAN) AND INNER MONGOLIA DIGITAL TECHNOLOGY

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) sale of dissolvable products (including the development, manufacture and sale of soymilk powder, rice flour and cereal products); (c) other operations (mainly including the sale of surplus raw materials, the production and sale of base-powder and consigned processing operation).

Yashili (Maanshan) is a company established in PRC and a wholly-owned subsidiary of the Company. It is principally engaged in the distribution of the Group's full lines of products in PRC.

Inner Mongolia Digital Technology is a company incorporated in the PRC. It is principally engaged in the distribution of food products including dairy products.

REASONS FOR AND BENEFITS OF THE EXTENSION

The Directors are of the view that the Extension would enable the Group to continue to access the established resources and advantages in the designated e-commerce platforms by the Mengniu Group and strengthen the synergies between the Group and the Mengniu Group.

The Directors (including all the independent non-executive Directors) are of the view that the Extension is on arm's length basis and on normal commercial terms, in the ordinary and usual course of business of the Company and that the Extension and the proposed cap are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As of the date of this announcement, 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, Inner Mongolia Digital Technology, an indirect subsidiary of Mengniu Dairy, is a connected person of the Company. Yashili (Maanshan) is a wholly-owned subsidiary of the Company. Accordingly, the Extension constitutes 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 Distribution Agreement (as extended pursuant to the Extension) exceeds 0.1% but is less than 5%, the Extension is subject to reporting, annual review and announcement requirements but exempt from the independent shareholders' approval 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 Distribution Agreement and the transactions contemplated thereunder. As such, each of Mr. Jeffrey, Minfang Lu and Mr. Zhang Ping abstained from voting on the relevant board resolution approving the Extension.

DEFINITIONS

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

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| “Board” | the board of Directors |
| “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 |
| “Distribution Agreement” | the distribution agreement dated 2 October 2018 between Yashili (Maanshan) and Inner Mongolia Digital Technology in relation to the distribution of the Product by Inner Mongolia Digital Technology via a number of designated e-commerce platforms |
| “Extension” | the extension of the term of the Distribution Agreement with Inner Mongolia Digital Technology dated 2 October 2018 for three months beyond the Initial Term |

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| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong Special Administrative Region of the PRC |
| “Initial Term” | 2 October 2018 to 31 December 2018, being the initial term of the Distribution Agreement |
| “Inner Mongolia Digital Technology” | Inner Mongolia Digital Technology Digital Distribution Co., Ltd.* (內蒙古數科數字營銷有限公司), a company established in the PRC and an indirect subsidiary of Mengniu Dairy |
| “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 Group” | Mengniu Dairy and its subsidiaries |
| “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 |
| “October Announcement” | the announcement of the Company dated 2 October 2018 in relation to the Distribution Agreement between Yashili (Maanshan) and Inner Mongolia Digital Technology |
| “PRC” | the People’s Republic of China |
| “Products” | certain types of finished products of the Group, including milk powder and cereals |
| “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 (Maanshan)” Yashili Dairy (Maanshan) Distribution Co., Ltd.* (雅士利乳業(馬鞍山)銷售有限公司), a company incorporated in the PRC and a 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.*

This announcement contains translation between Renminbi and Hong Kong dollars at RMB1.00 to HK\$1.16001. The translation shall not be taken as representation that Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.

By order of the Board
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, 16 January 2019

As at the date of this announcement, the Board 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.