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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  
SUPPLY AGREEMENT WITH MEMBERS OF DANONE**

**THE SUPPLY AGREEMENT**

On 18 January 2019, Yashili New Zealand, a wholly-owned subsidiary of the Company, entered into the Supply Agreement with DAPH and Danone ELN, pursuant to which Yashili New Zealand agreed to supply, and the Purchasers agreed to purchase, the Products from time to time during the term of the Supply Agreement.

**LISTING RULES IMPLICATIONS**

As of the date of this announcement, Danone Asia has a 25.0% shareholding interest in the Company. Each of the Purchasers is a subsidiary of Danone SA and a member of Danone. Therefore, each of the Purchasers 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 entering into of the Supply 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 (other than the profits ratio) in respect of the Supply Agreement exceeds 0.1% but is less than 5%, the Supply Agreement and the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

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Principal terms of the Supply Agreement are summarized below.

<b>Date</b>	18 January 2019
<b>Parties</b>	(1) Purchasers: DAPH, Danone ELN and the Affiliates (2) Supplier: Yashili New Zealand
<b>Duration</b>	18 January 2019 to 31 March 2019, unless otherwise agreed by the parties in writing. If the parties enter into a new supply agreement before the expiration of the Supply Agreement, the new supply agreement shall supersede the Supply Agreement upon taking effect.
<b>Products</b>	Base powder and dairy ingredients
<b>Volume of Products</b>	Yashili New Zealand shall supply and the Purchasers shall purchase the Annual Baseline Volume of the Products on a pro rata basis in 2019 based on the term of the Supply Agreement. The Purchasers may request additional demand above the Annual Baseline Volume, in which case Yashili New Zealand shall use all reasonable efforts to supply and prioritise delivery to the Purchasers.
<b>Pricing Terms</b>	The unit price of the Products shall be determined on a cost-plus approach, i.e. cost plus a reasonable margin, which will be no more than 15%, with reference to the applicable Incoterms and payment terms, which is consistent with market practice.
<b>Payment Terms</b>	Invoices shall be issued by Yashili New Zealand, in New Zealand dollars, upon each delivery of the Products, which shall be settled by the Purchasers at 90 days from the date of the invoice.

The price and terms of the Supply Agreement in relation to the sale and purchase of the Products were determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and no more favourable to the Purchasers than those available to the Company from independent third parties. The price and terms of the Supply Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

## **ANNUAL CAP**

The cap in respect of the transactions contemplated under the Supply Agreement is expected to be RMB112 million for the term of the Supply Agreement, i.e., the period from 18 January 2019 to 31 March 2019. This cap was determined with reference to the unit price of the Products and the expected purchase amount of the Products by the Purchasers during the term of the Supply Agreement.

## **INFORMATION ON THE COMPANY, YASHILI NEW ZEALAND, DAPH AND DANONE ELN**

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 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 subsidiary of Danone SA. It is primarily engaged in holding activities and trading of early life nutrition related products.

Danone ELN is a company established and existing under the laws of the Netherlands and an indirect wholly-owned subsidiary of Danone SA. It is primarily engaged in trading in early life nutrition finished goods and related products and providing services to other companies within Danone.

## **REASONS FOR AND BENEFITS OF THE SUPPLY AGREEMENT**

The Directors are of the view that the Supply Agreement 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 all the independent non-executive Directors) are of the view that the Supply 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 Supply Agreement, including the cap therein, are fair and reasonable and the Supply Agreement and the transactions contemplated thereunder are in the interest of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement, Danone Asia has a 25.0% shareholding interest in the Company. Each of the Purchasers is a subsidiary of Danone SA and a member of Danone. Therefore, each of the Purchasers 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 entering into of the Supply 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 (other than the profits ratio) in respect of the Supply Agreement exceeds 0.1% but is less than 5%, the Supply Agreement and the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

Ms. Lam Pik Po, Katty and Mr. Qin Peng are Directors nominated by Danone and therefore are considered to have a material interest in the Supply Agreement and the transactions contemplated thereunder. As such, each of Ms. Lam Pik Po, Katty and Mr. Qin Peng abstained from voting on the relevant board resolutions approving the Supply Agreement and the transactions contemplated thereunder.

## **DEFINITIONS**

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

“Affiliate(s)”	a company of the Danone Early Life Nutrition division (a business division of Danone) that is wholly or partially owned or controlled by Danone SA
“Annual Baseline Volume”	the aggregate annual baseline volume of all Products of 10,000 metric tons per calendar year
“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 and Danone ELN
“DAPH”	Danone Asia Pacific Holdings Pte. Ltd., a company incorporated in Singapore and an indirect subsidiary of Danone SA
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Products”	the products set out under the section headed “The Supply Agreement” as disclosed in this announcement
“Purchasers”	DAPH, Danone ELN and the Affiliates
“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
“Supply Agreement”	the Supply Agreement dated 18 January 2019 between Yashili New Zealand on the one hand, and DAPH and Danone ELN on the other hand, in relation to the supply of the Products by Yashili New Zealand to the Purchasers

“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.

*This announcement contains translation between RMB and Hong Kong dollars at RMB1.00 to HK\$1.15918. 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  
**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, 18 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.*