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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)**

## **REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS**

Reference is made to (i) the announcement of the Company dated 9 March 2017 in relation to the Framework Purchase Agreement with Inner Mongolia Mengniu; (ii) the announcement of the Company dated 25 August 2017 in relation to the Framework Purchase Agreement with Tianjin New Value and the revision of annual caps of continuing connected transactions under the Framework Purchase Agreement with Inner Mongolia Mengniu for the years ended 31 December 2017 and 2018; (iii) the announcement of the Company dated 22 December 2017 in relation to the revision of annual caps of continuing connected transactions under the Framework Purchase Agreements for the year ended 31 December 2017; (iv) the announcements of the Company dated 20 June 2018, 4 September 2018 and 23 November 2018 in relation to the revision of annual caps of continuing connected transactions under the Framework Purchase Agreements for the year ended 31 December 2018, and (v) the announcement of the Company dated 31 December 2018 in relation to, among others, the extension of the term of the Framework Purchase Agreement with Inner Mongolia Mengniu (the “**Announcements**”).

The Group expects to increase its purchase of raw materials from Tianjin New Value pursuant to the Framework Purchase Agreement with Tianjin New Value in the period from 1 January 2019 to 31 July 2019 and decrease its purchase of raw materials from Inner Mongolia Mengniu pursuant to the Framework Purchase Agreement with Inner Mongolia Mengniu for the year ending 31 December 2019. Accordingly, the Board would like to (i) adjust upward the existing cap of the Tianjin New Value Transactions for the period from 1 January 2019 to 31 July 2019 and (ii) adjust downward the existing annual cap of the Inner Mongolia Mengniu Transactions for the year ending 31 December 2019 to the Revised Caps.

As each of Tianjin New Value and Inner Mongolia Mengniu is a subsidiary of Mengniu Dairy which is a connected person of the Company, and each of the Purchasers is a subsidiary of the Company, the transactions contemplated under the Framework Purchase Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (other than profits ratio) in respect of the aggregated amount of the Revised Caps exceeds 0.1% but is less than 5%, the transactions contemplated under the Framework Purchase Agreements are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As the transactions contemplated under the Framework Purchase Agreements are Type II CCT under the Framework Agreement with Mengniu Dairy as disclosed in the announcement of the Company dated 2 July 2018, they will be subject to the Framework Agreement with Mengniu Dairy upon its taking effect.

## **BACKGROUND**

Reference is made to the Announcements.

## **REVISION OF EXISTING ANNUAL CAPS**

Following the adjustment of the purchase plan, the Group expects to increase its purchase of raw materials from Tianjin New Value pursuant to the Framework Purchase Agreement with Tianjin New Value in the period from 1 January 2019 to 31 July 2019 and reduce its purchase of raw materials from Inner Mongolia Mengniu pursuant to the Framework Purchase Agreement with Inner Mongolia Mengniu for the year ending 31 December 2019. Accordingly, the Board would like to (i) adjust upward the existing cap of the Tianjin New Value Transactions for the period from 1 January 2019 to 31 July 2019 and (ii) adjust downward the existing annual cap of the Inner Mongolia Mengniu Transactions for the year ending 31 December 2019 to the Revised Caps.

## REVISED CAPS

The respective caps of the transactions contemplated under the Framework Purchase Agreements are set out below:

	<b>Existing Annual Caps</b>	<b>Revised Caps</b>
<b>Tianjin New Value Transactions</b>	RMB71 million (equivalent to approximately HK\$83 million)	RMB91 million (equivalent to approximately HK\$106 million)
<b>Inner Mongolia Mengniu Transactions</b>	RMB30 million (equivalent to approximately HK\$35 million)	RMB10 million (equivalent to approximately HK\$12 million)

The Revised Caps are determined after having taken into account: (i) the expected volume of raw materials to be purchased by the Purchasers under each of the Framework Purchase Agreements based on the production plan of the Purchasers; (ii) the types of raw materials to be purchased by the Purchasers; and (iii) the unit price of the relevant raw material to be purchased by the Purchasers.

As at the date of this announcement, based on the Group's latest unaudited management accounts and operational data, the actual transaction amount in 2019 under each of the Framework Purchase Agreements has not exceeded the relevant Existing Annual Caps.

Save for the revision of the Existing Annual Caps to the Revised Caps, all the other terms of the Framework Purchase Agreements as disclosed in the Announcements remain unchanged.

The Directors (including the independent non-executive Directors) are of the view that the transactions pursuant to each of the Framework Purchase Agreements have been carried out and will continue to be carried out in the ordinary and usual course of business of the Company and are on normal commercial terms, and that the terms of such transactions and the Revised Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As each of Tianjin New Value and Inner Mongolia Mengniu is a subsidiary of Mengniu Dairy which is a connected person of the Company, and each of the Purchasers is a subsidiary of the Company, the transactions contemplated under the Framework Purchase Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than profits ratio) in respect of the aggregated amount of the Revised Caps exceeds 0.1% but is less than 5%, the transactions contemplated under the Framework Purchase Agreements are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As the transactions contemplated under the Framework Purchase Agreements are

Type II CCT under the Framework Agreement with Mengniu Dairy as disclosed in the announcement of the Company dated 2 July 2018, they will be subject to the Framework Agreement with Mengniu Dairy upon its taking effect.

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 Agreements and the transactions contemplated thereunder. As such, each of Mr. Jeffrey, Minfang Lu and Mr. Zhang Ping abstained from voting on the relevant board resolutions approving the Revised Caps.

## **DEFINITIONS**

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

“Announcements”	(i) the announcement of the Company dated 9 March 2017 in relation to the Framework Purchase Agreement with Inner Mongolia Mengniu; (ii) the announcement of the Company dated 25 August 2017 in relation to the Framework Purchase Agreement with Tianjin New Value and the revision of annual caps of continuing connected transactions under the Framework Purchase Agreement with Inner Mongolia Mengniu for the years ended 31 December 2017 and 2018; (iii) the announcement of the Company dated 22 December 2017 in relation to the revision of annual caps of continuing connected transactions under the Framework Purchase Agreements for the year ended 31 December 2017; (iv) the announcements of the Company dated 20 June 2018, 4 September 2018 and 23 November 2018 in relation to the revision of annual caps of continuing connected transactions under the Framework Purchase Agreements for the year ended 31 December 2018, and (v) the announcement of the Company dated 31 December 2018 in relation to, among others, the extension of the term of the Framework Purchase Agreement with Inner Mongolia Mengniu
“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
“Danone”	Danone SA, a company incorporated under the laws of France, and other companies directly or indirectly controlled by Danone SA

“Directors”	the directors of the Company
“Dumex China”	Dumex Baby Food Co., Ltd.* (多美滋嬰幼兒食品有限公司), an indirectly wholly-owned subsidiary of the Company
“Existing Annual Caps”	the existing annual cap of the Inner Mongolia Mengniu Transactions for the year ending 31 December 2019 and the existing cap of the Tianjin New Value Transactions for the period from 1 January 2019 to 31 July 2019
“Framework Agreement with Mengniu Dairy”	the framework agreement dated 29 June 2018 between the Company and Mengniu Dairy in respect of the Type I CCT, Type II CCT, Type III CCT and Type IV CCT
“Framework Purchase Agreement with Inner Mongolia Mengniu”	the framework purchase agreement with Inner Mongolia Mengniu dated 9 March 2017 between the Purchasers and Inner Mongolia Mengniu in respect of the purchase of raw materials by the Purchasers from Inner Mongolia Mengniu
“Framework Purchase Agreement with Tianjin New Value”	the framework purchase agreement with Tianjin New Value dated 22 August 2017 between the Purchasers and Tianjin New Value in respect of the purchase of raw materials by the Purchasers from Tianjin New Value
“Framework Purchase Agreements”	the Framework Purchase Agreement with Tianjin New Value and the Framework Purchase Agreement with Inner Mongolia Mengniu
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong Special Administrative Region of the PRC
“Inner Mongolia Mengniu”	Inner Mongolia Mengniu Dairy (Group) Company Limited* (內蒙古蒙牛乳業(集團)股份有限公司), a company established in the PRC and a subsidiary of Mengniu Dairy
“Inner Mongolia Mengniu Transactions”	the transactions contemplated under the Framework Purchase Agreement with Inner Mongolia Mengniu
“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
“Oushi Mengniu”	Oushi Mengniu (Inner Mongolia) Dairy Products Co., Ltd.* (內蒙古歐世蒙牛乳製品有限責任公司), a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Purchasers”	Dumex China, Yashili (Guangdong), Yashili (Shanxi) and Oushi Mengniu
“Revised Caps”	the revised annual cap of the Inner Mongolia Mengniu Transactions for the year ending 31 December 2019 and the revised cap of the Tianjin New Value Transactions for the period from 1 January 2019 to 31 July 2019 as disclosed in the section headed “Revised Caps” in this announcement
“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
“Tianjin New Value”	Tianjin New Value Supply Chain Company Limited* (天津通瑞供應鏈有限公司), a company established in the PRC and a subsidiary of Mengniu Dairy
“Tianjin New Value Transactions”	the transactions contemplated under the Framework Purchase Agreement with Tianjin New Value
“Type I CCT”	The transactions contemplated under the Framework Agreement with Mengniu Dairy in relation to purchase of goods by Mengniu Group from the Group
“Type II CCT”	The transactions contemplated under the Framework Agreement with Mengniu Dairy in relation to purchase of goods by the Group from the Mengniu Group

“Type III CCT”	The transactions contemplated under the Framework Agreement with Mengniu Dairy in relation to provision of services by the Mengniu Group to the Group
“Type IV CCT”	The transactions contemplated under the Framework Agreement with Mengniu Dairy in relation to provision of services by the Group to the Mengniu Group
“Yashili (Guangdong)”	Yashili International Group Limited* (雅士利國際集團有限公司), an indirect wholly-owned subsidiary of the Company
“Yashili (Shanxi)”	Shanxi Yashili Dairy Co., Ltd.* (山西雅士利乳業有限公司), 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.*

*This announcement contains translation between Renminbi and Hong Kong dollars at RMB1.00 to HK\$1.16943. 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, 1 February 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.*