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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)

ANNOUNCEMENT UPDATE ON CONTINUING CONNECTED TRANSACTION

THE SERVICE AGREEMENT

Reference is made to (1) the announcement of Yashili International Holdings Ltd (the “**Company**”) dated 18 January 2018 in relation to the Service Agreement dated 1 May 2017 entered into between Yashili New Zealand and the Purchaser (together, the “**Parties**”) in relation to the co-packing and delivery of canned infant formula with raw materials and packaging materials provided by the Purchaser by Yashili New Zealand to the Purchaser from time to time during the term of the Service Agreement; and (2) the announcements of the Company dated 31 May 2018, 3 December 2018, 31 May 2019, 29 November 2019 and 29 May 2020 in relation to the extension of the Service Agreement (together, the “**Announcements**”). Save as otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to update the shareholders of the Company that on 4 December 2020, the Parties have agreed to further extend the term of the Service Agreement for another six months (the “**Further Extension**”). Accordingly, the Service Agreement shall remain in force until 30 June 2021.

ANNUAL CAP

The proposed annual cap in respect of the transactions contemplated under the Service Agreement for the period from 1 January 2021 to 30 June 2021 is 6 million New Zealand dollars. The annual cap was determined after taking into account the estimated production capacity utilization arrangements of Yashili New Zealand and the estimated demand of the Purchaser.

For the period from 1 January 2020 to the date of this announcement, the total transaction amount under the Service Agreement was 0.49 million New Zealand dollars (unaudited) according to the unaudited consolidated management account of the Company.

REASONS FOR AND BENEFITS OF THE FURTHER EXTENSION

The Directors (including all the independent non-executive Directors but excluding Mr. Qin Peng and Mr. Gu Peiji (alias Philip Gu)) are of the view that the Further Extension would enable Yashili New Zealand to further improve its utilisation rate, thereby achieving greater synergies between the Group and Danone (meaning, Danone SA and other companies controlled by Danone SA).

LISTING RULES IMPLICATIONS

As of the date of the Service Agreement and this announcement, Danone Asia has a 25.0% shareholding interest in the Company and the Purchaser is a member of Danone. Therefore, the Purchaser is a connected person of the Company under the Listing Rules. As Yashili New Zealand is an indirect wholly-owned subsidiary of the Company, the entering into of the Service 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 aggregated amount of (i) the annual cap of the Service Agreement for the period from 1 January 2021 to 30 June 2021 and (ii) the cap of other similar agreements entered into by the Group with Danone Group for the year ending 31 December 2021 exceeds 0.1% but is less than 5%, the Service 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 all the independent non-executive Directors but excluding Mr. Qin Peng and Mr. Gu Peiji (alias Philip Gu)) are of the view that the Further Extension was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms thereof are fair and reasonable and in the interest 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 Further Extension 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 relevant board resolutions approving the Further Extension and the transactions contemplated thereunder.

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, 4 December 2020

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.