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## **AUSNUTRIA DAIRY CORPORATION LTD**

### **澳優乳業股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1717)**

## **CONTINUING CONNECTED TRANSACTION FINANCIAL SERVICES FRAMEWORK AGREEMENT**

### **FINANCIAL SERVICES FRAMEWORK AGREEMENT**

The Board is pleased to announce that on 29 August 2023 (after trading hours), the Company entered into the Financial Services Framework Agreement with Yili Finance, pursuant to which Yili Finance agreed to provide a range of financial services, namely the Deposit Services, the Loan Services, the Settlement Services and Other Financial Services, to the Group for a term commencing from 29 August 2023 to 28 August 2026.

### **LISTING RULES IMPLICATIONS**

Yili Industrial is a controlling Shareholder of the Company which is interested in approximately 59.45% of the total number of Shares in issue and Yili Finance is a wholly-owned subsidiary of Yili Industrial. Accordingly, Yili Finance is a connected person of the Company. Therefore, the entering into of the Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

### **Deposit Services**

As the highest of the applicable Percentage Ratio for the aggregate maximum daily balance of deposits (including the interests accrued thereon) to be placed and maintained by the Group with Yili Finance is more than 0.1% but less than 5%, the provision of the Deposit Services by Yili Finance to the Group under the Financial Services Framework Agreement is subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **Loan Services**

The Loan Services under the Financial Services Framework Agreement involve the provision of financial assistance by Yili Finance to the Group. As the Loan Services to be provided under the Financial Services Framework Agreement shall be on normal commercial terms or better, and no security will be granted by the Group over its assets in respect of such loan services, therefore the Loan Services are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

## **Settlement Services and Other Financial Services**

As all the applicable Percentage Ratios in respect of the service fees payable by the Group to Yili Finance, in aggregate, for the Settlement Services and Other Financial Services under the Financial Services Framework Agreement on an annual basis are expected to be less than 0.1% and therefore fall below the de minimis threshold under Rule 14A.76 of the Listing Rules; and the terms of such services shall be on normal commercial terms or better, the Settlement Services and Other Financial Services are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Sun Donghong, Mr. Zhang Zhanqiang and Mr. Zhang Lingqi are Directors nominated by Yili Industrial and therefore are considered to have a material interest in the Financial Services Framework Agreement and the transaction contemplated thereunder. As such, each of Mr. Sun Donghong, Mr. Zhang Zhanqiang and Mr. Zhang Lingqi has abstained from voting on the Board resolution(s) in relation to the approval of the Financial Services Framework Agreement and the transaction contemplated thereunder.

## **FINANCIAL SERVICES FRAMEWORK AGREEMENT**

The Board is pleased to announce that on 29 August 2023 (after trading hours), the Company entered into the Financial Services Framework Agreement with Yili Finance, pursuant to which Yili Finance agreed to provide a range of financial services, namely the Deposit Services, the Loan Services, the Settlement Services and Other Financial Services (as defined below), to the Group for a term commencing from 29 August 2023 to 28 August 2026.

The principal terms of the Financial Services Framework Agreement are set out below.

Date	:	29 August 2023
Parties	:	(i) the Company; and (ii) Yili Finance.
Term	:	Unless terminated earlier in accordance with the terms of the Financial Services Framework Agreement, the Financial Services Framework Agreement shall be effective from 29 August 2023 to 28 August 2026.

- Scope of services : Yili Finance shall provide the following financial services to the Group:
- (i) deposit services, under which Yili Finance shall accept deposits from the Group of up to a maximum daily balance of deposits (including the interest accrued thereon) not exceeding RMB270 million (the “**Deposit Services**”);
  - (ii) loan services, including loans, commercial acceptance bills, commercial discounted bills, entrusted loans, guarantees, financial leasing and other loan services, with the financing amount not exceeding the regulatory requirement maximum limit (the “**Loan Services**”);
  - (iii) settlement services, including collection, payment, internal settlement services and other settlement services approved by the NFRA (the “**Settlement Services**”); and
  - (iv) other financial services, including financial and financing consulting services, credit certification and related consulting and agency services, and other services approved by the NFRA (the “**Other Financial Services**”).
- Pricing guidelines : The interest rates provided by Yili Finance and fees payable by the Group under the Financial Services Framework Agreement shall be determined according to the following guidelines:
- (i) the interest rates for the Deposit Services provided by Yili Finance shall comply with the relevant requirements set forth by the regulatory authorities and shall be no less than (a) the benchmark deposit rates prescribed by the PBOC; and (b) deposit rates payable by major independent commercial banks in the PRC;
  - (ii) the interest rates for the Loan Services provided by Yili Finance shall not be higher than the minimum interest rates quoted by major commercial banks in the PRC for the similar type of loan;
  - (iii) the service fees payable by the Group to Yili Finance for the Settlement Services shall not be higher than the fees quoted by major commercial banks in the PRC for similar type of services; and
  - (iv) the service fees payable by the Group to Yili Finance for the Other Financial Services shall be the lower of (i) the fees publicly quoted by major independent commercial banks in the PRC for similar type of services; (ii) the standard price prescribed by the PBOC, the NFRA or other applicable regulatory authorities for similar type of services; and (iii) the fee charged by other independent commercial banks for providing similar type of services to the Group.
- Proposed annual cap and basis of determination : The maximum daily balance of deposits (including the interest accrued thereon) under the Deposit Services for the period from 29 August 2023 to 28 August 2026 shall not exceed RMB270 million.

In arriving at the maximum daily balance of deposits (including the interest accrued thereon) under the Deposit Services, the Directors considered the following:

- (i) the latest cash and current assets position of the Group;
- (ii) the increasing asset and operation scale and the expected amount of cash of the Group available for deposit; and
- (iii) the expected amount of interest income from Yili Finance taking into account the interest income that could otherwise be obtained by placing a comparable amount of deposits with other major commercial banks in the PRC.

## **INTERNAL CONTROL MEASURES**

The financial services (including the Deposit Services) to be provided by Yili Finance to the Group under the Financial Services Framework Agreement shall be on a non-exclusive basis. The Company will implement the following internal control measures to ensure that the transactions contemplated under the Financial Services Framework Agreement is on normal commercial terms or better and do not exceed the annual caps:

1. To ensure that the interest rates and other terms offered by Yili Finance under the Financial Services Framework Agreement will be fair and reasonable and on normal commercial terms or better, prior to placing cash deposits at or procuring other types of financial services from Yili Finance, the finance department of the Company will obtain quotations from major commercial banks who are independent third parties to determine the prevailing interest rate(s), service fee(s) and other terms being offered by those institutions for comparable deposits or other financial services of similar nature during the same period. Such reference interest rate(s) or service fee(s) will then be reviewed and approved by the management of the Company in accordance with its internal approval procedures prior to entering into each individual specific agreement for the deposit services or other types of financial services. The Company shall also take into account factors including, among other things, quality of services, safety of deposits, reputation of financial institutions and history of cooperation, before making decisions to place deposits with any banks or financial institutions. If the Company is aware that the terms (including deposit interest rate) offered by Yili Finance is less favourable than those offered by other major commercial banks, the Group will not maintain deposits with Yili Finance, or it will negotiate with Yili Finance to re-determine the relevant rates and terms;
2. The Group has established a finance department, which operates without influence from Yili Industrial. The Group has adopted a financial management system to guide and monitor its financial activities. The Group also maintains accounts with external independent banks and does not share any bank accounts with Yili Industrial. Yili Industrial cannot control the use of any of the Group's bank accounts;
3. During its annual audit, the Company will engage its auditors to review the connected transactions between the Group and Yili Finance to ensure that the transactions under the Financial Services Framework Agreement have been approved by the Board and conducted in accordance with the pricing policies, the terms of such agreement and the caps thereunder. The independent non-executive Directors will also provide annual confirmations in the annual reports of the Company in respect of the transactions contemplated under the Financial Services Framework Agreement to ensure that such transactions are entered into on normal commercial terms or better, fair and reasonable, and carried pursuant to its contractual terms in accordance with the relevant requirements under the Listing Rules; and

4. The Company will monitor the continuing connected transactions in accordance with its internal control procedures, in particular to ensure that the Company will monitor the Group's daily balances with Yili Finance in a timely manner. The Group's responsible financial person shall check the balances on a daily basis, and promptly report to the Company's chief financial officer or chief compliance officer if such daily balances are close to exceeding, or likely to exceed the proposed caps.

## **INFORMATION OF THE COMPANY AND YILI FINANCE**

The Group is principally engaged in (i) the dairy industry with activities ranging from research and development, milk collection, processing, production, packaging, marketing and distribution of infant formula and other dairy products to customers in the PRC, the Netherlands, Australia and other overseas countries; and (ii) research and development, production, marketing and distribution of nutrition products to customers principally located in the PRC and Australia.

Yili Finance is a company established under the laws of the PRC on 15 January 2014 and is a non-bank financial institution approved by the NFRA. It is a wholly-owned subsidiary of Yili Industrial and principally engaged in the provision of financial services in the PRC.

## **REASONS FOR AND BENEFITS OF THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

The Board is of the view that it is beneficial to utilize the financial services from Yili Finance under the Financial Services Framework Agreement due to the following reasons:

1. By entering into the Financial Services Framework Agreement with Yili Finance, the Group will be able to accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation;
2. The terms offered by or available from Yili Finance with respect to the Financial Services Framework Agreement are on normal commercial terms or better, which shall be no less favourable than the terms offered or available to the Group from major commercial banks and/or financial institutions in the PRC for providing similar services;
3. Yili Finance is regulated by the PBOC and the NFRA, and provides its services in accordance with the rules and operational requirements of these regulatory authorities;
4. The Group is expected to benefit from Yili Finance's better understanding of the operation of the Group, which will facilitate more expedient and efficient services than those rendered by other commercial banks in the PRC; and
5. The financial services to be provided under the Financial Services Framework Agreement are diversified and can meet the business needs of the Group.

In light of the above, the Directors (including the independent non-executive Directors but excluding Mr. Sun Donghong, Mr. Zhang Zhanqiang and Mr. Zhang Lingqi) are of the view that the terms of the Financial Services Framework Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

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## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Ausnutria Dairy Corporation Ltd, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1717)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Financial Services Framework Agreement”	the financial services framework agreement entered into between Yili Finance and the Company on 29 August 2023 in respect of the provision of a range of financial services by Yili Finance to the Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NFRA”	National Financial Regulatory Administration* (國家金融監督管理總局)
“PBOC”	People’s Bank of China (中國人民銀行)
“Percentage Ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yili Finance”	Yili Finance Company Limited* (伊利財務有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Yili Industrial
“Yili Industrial”	Inner Mongolia Yili Industrial Group Co., Ltd.* (內蒙古伊利實業集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange of the PRC (stock code: 600887)
“%”	per cent

\* For identification purpose only

By order of the Board  
**Ausnutria Dairy Corporation Ltd**  
**Yan Weibin**  
*Chairman*

PRC, 29 August 2023

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Yan Weibin (Chairman and Chief Executive Officer), Mr. Bartle van der Meer and Ms. Ng Siu Hung; three non-executive Directors, namely Mr. Sun Donghong (Vice-Chairman), Mr. Zhang Zhanqiang and Mr. Zhang Lingqi; and three independent non-executive Directors, namely Mr. Ma Ji, Mr. Song Kungang and Mr. Aidan Maurice Coleman.*