
HISTORY AND CORPORATE STRUCTURE

OUR HISTORY AND DEVELOPMENT

The history of our Group can be traced to the establishment of Yashili (Guangdong) on 9 March 1998. At the time of its establishment, Yashili (Guangdong) had an initial registered capital of RMB20.08 million held by its founding shareholders Yashili Food, Chao'an Yaxin, Shantou Jinyuan, and a group of 12 individuals, which included six brothers and their respective spouses. Our executive Directors Mr. Zhang Likun (張利坤), Mr. Zhang Liming (張利明), Mr. Zhang Lidian (張利鈿) and Mr. Zhang Libo (張利波), together with their spouses, were amongst the founding shareholders of Yashili (Guangdong). Since its establishment, Yashili (Guangdong) focused primarily on the business of production and sales of pediatric milk formula and nutrition products. On 4 September 2002, Yashili Food transferred all of the 30.87% equity interest it held in Yashili (Guangdong) to Zhang Peizhu (張佩珠) (wife of our executive Director, Zhang Lidian (張利鈿)) and Yang Chuxian (楊楚賢) (wife of our executive Director, Zhang Libo (張利波)). Chao'an Yaxin and Shantou Jinyuan transferred all of their 7.37% and 0.5% equity interest they then held in Yashili (Guangdong), respectively, to Zhang Yuanjuan (張元娟) (wife of our executive Director, Zhang Likun (張利坤)). Except for their investment in Yashili (Guangdong), Chao'an Yaxin and Shantou Jinyuan have no past or present relationship with our Group, shareholders, directors, senior management or any of their associates. Upon completion of the said transfers, the equity interests in Yashili (Guangdong) were held as to 6.97% by each of the six brothers, 11.11% by Zhang Yuanjuan (張元娟), 37.35% by Zhang Peizhu (張佩珠) and Yang Chuxian (楊楚賢) together, and 3.24% by each of Xie Shunzhen (謝舜珍), She Lifang (佘麗芳) and Wang Yujiao (王玉嬌).

Yashili (Guangdong) became a foreign-invested enterprise on 29 December 2005, after Niwee International acquired 35.6% equity interest in Yashili (Guangdong) through contribution of an additional registered capital of RMB38.0 million of Yashili (Guangdong). At that time, the remaining 64.4% equity interest in Yashili (Guangdong) was held by the group of 11 individual shareholders who were the founding shareholders and parties acting in concert with each other, which included five brothers, Mr. Zhang Likun (張利坤), Mr. Zhang Lihui (張利輝), Mr. Zhang Liming (張利明), Mr. Zhang Lidian (張利鈿) and Mr. Zhang Libo (張利波), their respective spouses and their sister-in-law, Ms. She Lifang (佘麗芳). In August 2007, Niwee International sold all of its 35.6% equity interest in Yashili (Guangdong) to Wholesome Food and Richful Dairy, which acquired 20% and 15.6% equity interest in Yashili (Guangdong) for a consideration of RMB80 million and RMB62.4 million, respectively. The considerations were determined by arm's length negotiation and generally with reference to the net asset value of Yashili (Guangdong). Wholesome Food is owned by Mr. Teo Tee Kiah and Mr. Kim Leng Choon, both are Independent Third Parties, and Richful Dairy is wholly-owned by Mr. Yeo Hoon Seng, an Independent Third Party and the ultimate owner of Scient (Singapore). Other than as disclosed in this Prospectus, both Wholesome Food and Richful Dairy have no past or present relationship or dealing with our Group, shareholders, directors, senior management, or any of their associates. Except for its investment in Yashili (Guangdong) from 29 December 2005 to 2 August 2007, Niwee International has no past or present relationship with our Group, shareholders, directors, senior management and any of their associates. Upon the completion of the said transfer, the equity interests in Yashili (Guangdong) were held as to 20% by Wholesome Food, 15.6% by Richful Dairy and 64.4% by the group of 11 individual shareholders.

Yashili (Guangdong) was converted into a foreign-invested joint stock company with a registered capital of RMB450 million, divided into 450 million shares with a nominal value of RMB1.00 per share, on 27 March 2008. The registered capital of Yashili (Guangdong) increased to RMB592.1 million, after

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Carlyle (HK) and Zhang's Investment (Shantou) subscribed for 102,631,600 and 39,473,700 new shares at a consideration of RMB649.7 million and RMB249.9 million, respectively, on 21 August 2009. The considerations were determined by arm's length negotiation and generally with reference to the net asset value and profit prospect of Yashili (Guangdong). For further details of the investment by the Carlyle Group, please see the paragraph headed "— Strategic and other investors — (1) Investment by the Carlyle Group" below. After the said increase in registered capital, Yashili (Guangdong) was held as to 15.20% by Wholesome Food, 11.84% by Richful Dairy, 17.33% by Carlyle (HK), 6.67% by Zhang's Investment (Shantou) and 48.96% by the group of 11 individual shareholders.

After Zhang's Investment (Shantou) entered into an agreement to subscribe for new shares in Yashili (Guangdong), Zhang's Investment (Shantou) entered into a concert party agreement on 31 July 2009 with the group of 11 individual shareholders with respect to their interests in Yashili (Guangdong). Pursuant to the terms of the said concert party agreement, Zhang's Investment (Shantou) and the group of 11 individual shareholders agreed that they would act in concert with each other with respect to matters relating to the management and operation of Yashili (Guangdong) and their rights and obligations as shareholders of Yashili (Guangdong), including all decisions in connection with the management and operation of the subsidiaries of Yashili (Guangdong). In addition, the shareholders of Zhang's Investment (Shantou) agreed that they would act in concert with each other with respect to matters relating to the management and operation of Zhang's Investment (Shantou) and their rights and obligations as shareholders of Zhang's Investment (Shantou). The said concert party agreement was effective from 31 July 2009, contains no termination provision and continues to remain effective as of the date of this Prospectus.

On 26 September 2009, Shanghai Fosun Principle Capital, Shanghai Principle Capital and Wholesome Food entered into an equity transfer agreement, pursuant to which Shanghai Fosun Principle Capital and Shanghai Principle Capital acquired 3.6% and 2.4% equity interest in Yashili (Guangdong) held by Wholesome Food for a consideration of RMB151.2 million and RMB100.8 million, respectively. The considerations were determined by arm's length negotiation and generally with reference to the net asset value of Yashili (Guangdong). For further details of the investment by Shanghai Fosun Principle Capital and Shanghai Principle Capital, please see the paragraph headed "Investment by Fosun" below. Upon completion of the said transfers, Yashili (Guangdong) was held as to 9.20% by Wholesome Food, 11.84% by Richful Dairy, 17.33% by Carlyle (HK), 6.67% by Zhang's Investment (Shantou), 3.60% by Shanghai Fosun Principle Capital, 2.40% by Shanghai Principle Capital and 48.96% by the group of 11 individual shareholders.

During the Track Record Period, the 11 individual shareholders and Zhang's Investment (Shantou) were acting in concert with each other at all times when each of them were shareholders of Yashili (Guangdong).

In June 2010, Zhang's Family restructured their shareholdings in Yashili (Guangdong), whereby each of Mr. Zhang Likun (張利坤), Mr. Zhang Lihui (張利輝), Mr. Zhang Liming (張利明), Mr. Zhang Lidian (張利鈿) and Mr. Zhang Libo (張利波), acquired the equity interest held by their respective spouses, and Zhang's Investment (Shantou) also transferred its equity interest in Yashili (Guangdong) to Zhang's Family for them to directly hold such equity interest. Yashili (Guangdong) was then held as to 55.63% by Zhang's Family, 17.33% by Carlyle (HK), 11.84% by Richful Dairy, 9.20% by Wholesome Food, 3.60% by Shanghai Fosun Principle Capital and 2.40% by Shanghai Principle Capital, and this

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shareholding structure remained the same up to immediately prior to the Reorganization. Details of the Reorganization are set out in the paragraph headed “B. Reorganization” in Appendix VI of this Prospectus.

Our Group now comprises of our Company, Yashili (BVI), Yashili (HK), Yashili Trading, Yashili (Guangdong) and the following operating subsidiaries:

(a) Yashili (Heilongjiang)

Yashili (Heilongjiang) is our Group’s operating subsidiary in Heilongjiang and principally engages in the processing of raw milk powder into base milk powder. Yashili (Heilongjiang) was established on 10 April 2005 with an initial registered capital of RMB20.08 million and held as to 35% by Zhang Lihui (張利輝) and 65% by Zhang’s Investment (Shantou). On 8 August 2007, Yashili (Guangdong) acquired the entire equity interest in Yashili (Heilongjiang) from Zhang Lihui (張利輝) and Zhang’s Investment (Shantou), for a consideration of RMB7.028 million and RMB13.05 million, respectively. The considerations were determined with reference to the registered capital of Yashili (Heilongjiang). Upon completion of such acquisition, Yashili (Heilongjiang) became a wholly-owned subsidiary of Yashili (Guangdong). At the time of this acquisition, Yashili (Guangdong) was held and controlled as to 64.4% by the group of 11 individual shareholders acting in concert with each other, including Zhang Lihui (張利輝), and Zhang’s Investment (Shantou) was wholly held and controlled by the group of 11 individuals. Accordingly, Yashili (Guangdong), Yashili (Heilongjiang) and Zhang’s Investment (Shantou) were under common control of the same group of individuals at the time of the acquisition.

(b) Yashili (Shanxi)

Yashili (Shanxi) is our Group’s operating subsidiary in Shanxi and principally engages in the processing of raw milk powder into base milk powder. Yashili (Shanxi) was established on 31 March 2006 with an initial registered capital of RMB46.8 million and held as to 35% by Yashili (Guangdong), 50% by Zhang’s Investment (Shantou), 5% by Zhang Xinzhi (張馨之), daughter of She Lifang (佘麗芳), 5% by Zhang Libo (張利波) and 5% by Zhang Lidian (張利鈿). On 26 August 2007, Yashili (Guangdong) acquired the total of 65% equity interest in Yashili (Shanxi) from the remaining shareholders Zhang’s Investment (Shantou), Zhang Xinzhi (張馨之), Zhang Libo (張利波) and Zhang Lidian (張利鈿), for an aggregate consideration of RMB30.42 million. The consideration was determined with reference to the registered capital of Yashili (Shanxi). Upon completion of such acquisition, Yashili (Shanxi) became a wholly-owned subsidiary of Yashili (Guangdong). At the time of this acquisition, Yashili (Guangdong) was held and controlled as to 64.4% by the group of 11 individual shareholders, acting in concert with each other, including Zhang Libo (張利波), Zhang Lidian (張利鈿) and She Lifang (佘麗芳). Zhang’s Investment (Shantou) was wholly held and controlled by the group of 11 individuals. Zhang Xinzhi (張馨之) who held 5% of Yashili (Shanxi) undertakes to act in concert with the group of individuals in relation to operation matters of our Group. Accordingly, Yashili (Guangdong), Yashili (Shanxi) and Zhang’s Investment (Shantou) were under common control of the same group of individuals at the time of the acquisition.

(c) Bisheng

Bisheng is our Group’s operating subsidiary in Guangdong and principally engages in production of packaging material. Bisheng was established on 30 May 2007 with an initial registered capital of RMB10.8 million and held as to 60% by Zhang Libo (張利波) and 40% by Wang Yujiao (王玉嬌), the

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spouse of Zhang Liming (張利明). On 28 August 2007, Yashili (Guangdong) acquired the entire equity interest in Bisheng from Zhang Libo (張利波) and Wang Yujiao (王玉嬌), for a consideration of RMB6.48 million and RMB4.32 million, respectively. The considerations were determined with reference to the registered capital of Bisheng. Upon completion of this acquisition, Bisheng became a wholly-owned subsidiary of Yashili (Guangdong). At the time of this acquisition, Yashili (Guangdong) was held and controlled as to 64.4% by the group of 11 individual shareholders acting in concert with each other, including Zhang Libo (張利波) and Wang Yujiao (王玉嬌), wife of Zhang Liming (張利明). Accordingly, Yashili (Guangdong) and Bisheng were under common control of the same group of individuals at the time of the acquisition.

(d) Scient (Guangzhou)

Scient (Guangzhou) is our Group's operating subsidiary in Guangdong and principally engages in sales, research and development of pediatric nutritional food. Scient (Guangzhou) was established on 29 March 2002 with an initial registered capital of RMB3.18 million and held as to 75% by Yashili Nutrition and 25% by Scient Infantfood (USA). On 15 April 2005, Zhang's Investment (Shantou) acquired 75% equity interest in Scient (Guangzhou) from Yashili Nutrition for a consideration of RMB2.385 million. The consideration was determined with reference to the registered capital of Scient (Guangzhou). On 20 September 2007, Scient (Singapore) acquired 25% equity interest in Scient (Guangzhou) from Scient Infantfood (USA), for a consideration of RMB38.75 million. Neither Scient Infantfood (USA) and its owner, Frank Lin nor Scient (Singapore) and its owner, Yeo Hoon Seng, has any past or present relationship with our Group, its shareholders, director, senior management, or any of their respective associates. Frank Lin is an independent third party of Yeo Hoon Seng. The consideration was determined with reference to the registered capital of Scient (Guangzhou). On 30 December 2007, Yashili (Guangdong) and Scient (USA) acquired 74% and 1% equity interest in Scient (Guangzhou), respectively, from Zhang's Investment (Shantou) for a consideration of RMB114.7 million and RMB1.55 million respectively. Scient (USA) acquired 1% equity interest in Scient (Guangzhou) and became a shareholder of Scient (Guangzhou), in order to facilitate the assignment of certain Scient (USA) trademarks to Scient (Guangzhou). The considerations were determined with reference to the registered capital of Scient (Guangzhou). On 1 July 2009, Scient (USA) acquired 20% equity interest in Scient (Guangzhou) from Scient (Singapore) for a consideration of USD0.2 million. Since then, Yashili (Guangdong) directly and indirectly, through Scient (USA), held 95% of the equity interests of Scient (Guangzhou) and the remaining 5% is held by Scient (Singapore), an Independent Third Party.

(e) Scient (USA)

Scient (USA) is our Group's subsidiary established in the state of Texas of the United States and is focused on investment in the dairy industry. Scient (USA) was incorporated on 7 May 2007 by Frank Lin, who is the owner of Niwee International and Scient Infantfood (USA), authorized to issue 100,000 shares with no par value. On 20 May 2008, Frank Lin and Yashili (Guangdong) entered into an equity transfer agreement, pursuant to which Frank Lin transferred 100% equity interest in Scient (USA) to Yashili (Guangdong) at a consideration of USD0.7 million. The consideration was determined by arm's length negotiation with reference to the value of the assets held by Scient (USA), including a property situated in the U.S., and was paid on 31 December 2008. Frank Lin remains to be a director of Scient (USA) subsequent to the transfer. Other than his directorship and past ownership in Scient (USA), Frank

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Lin has no relationship with our Group, its shareholders, directors, senior management or any of their respective associates. As of the Latest Practicable Date, Scient (USA) does not have any investment holding other than its 21% equity interest in Scient (Guangzhou) as described above.

(f) Yashili (Shanghai)

Yashili (Shanghai) is our Group's operating subsidiary in Shanghai and principally engages in distribution of pediatric milk formula and other food products. Yashili (Shanghai) was established on 12 June 2008 with a registered capital of RMB2 million and held as to 50% by Xie Shaoming (謝少明) and 50% by Lin Weilian (林為蓮), who are both Independent Third Parties. On 31 July 2009, Yashili (Guangdong) agreed with each of Xie Shaoming (謝少明) and Lin Weilian (林為蓮) to transfer their respective equity interest in Yashili (Shanghai) to Yashili (Guangdong) for a consideration of RMB1 million and RMB1 million, respectively, which was determined with reference to the registered capital of Yashili (Shanghai).

(g) Yashili (Zhengzhou)

Yashili (Zhengzhou) is our Group's operating subsidiary in Henan and principally engages in production and sales of pediatric formula milk powder. Yashili (Zhengzhou) was established on 2 March 2007 with a registered capital of RMB50 million and held as to 70% by Yashili (Guangdong) and 30% by Richful Dairy. On 6 September 2010, Richful Dairy and Yashili (HK) entered into an equity transfer agreement, pursuant to which Yashili (HK) acquired 30% equity interest in Yashili (Zhengzhou) from Richful Dairy for a consideration of RMB30 million which was determined on an arm's length basis. Since then, Yashili (Zhengzhou) is held as to 70% by Yashili (Guangdong) and as to 30% by Yashili (HK).

(h) Yuqian

Yuqian is our Group's operating subsidiary in Guangdong and principally engages in trading of raw material for food, nutrition and milk powder. Yuqian was established in the PRC on 4 January 2009 with a registered capital of RMB5 million and held as to 100% by Yashili (Guangdong).

(i) Victory Trading

Victory Trading is a trading company and responsible for the procurement of raw milk powder for our Group. Victory Trading was established in the PRC on 30 October 2007 with a registered capital of RMB0.5 million and held as to 60% by Lin Rulian (林如蓮) and 40% by Liu Chunsheng (劉春盛). On 25 June 2010, Yashili (Guangdong) entered into an equity transfer agreement with each of Lin Rulian (林如蓮) and Liu Chunsheng (劉春盛), respectively, pursuant to which Yashili (Guangdong) agreed to acquire the entire equity interest in Victory Trading from Lin Rulian (林如蓮) and Liu Chunsheng (劉春盛), who are both Independent Third Parties, for a consideration of RMB8.52 million and RMB5.68 million, respectively. The considerations were determined with reference to the net asset value of Victory Trading. Upon completion of this acquisition, Victory Trading became a wholly-owned subsidiary of Yashili (Guangdong).

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During the Track Record Period, our Group has also held equity interests in two other subsidiaries, (i) Yashili Nutrition; and (ii) Yashili Dairy, both of which were liquidated on 27 March 2008 as part of our internal restructuring to streamline our operational structure. Our Directors confirm that these two former subsidiaries were not subject to any disputes, claims, litigation, arbitration or administrative proceedings at the time of their liquidation.

STRATEGIC AND OTHER INVESTORS

(1) Investment by the Carlyle Group

Background and principle terms of investment

Carlyle Asia Partners III L.P., through Carlyle (HK), invested in Yashili (Guangdong) in August 2009 as a strategic investor. Pursuant to the terms of a capital increase and share subscription agreement dated 31 July 2009 entered into by Yashili (Guangdong), Zhang's Family, Richful Dairy, Wholesome Food, Zhang's Investment (Shantou) and Carlyle (HK) ("Carlyle Investment Agreement"), Carlyle (HK) subscribed for 102,631,600 new shares in Yashili (Guangdong) at a consideration of RMB649.7 million and such consideration was fully paid on 26 August 2009. On this basis, the valuation of this investment represents a discount ranging from 65.1% to 74.2% to the valuation of our Company upon the Listing, using the lowest and highest end of the indicative Offer Price range set forth on the cover page of this Prospectus. The Carlyle Investment Agreement sets out certain obligations of the then existing shareholders of Yashili (Guangdong) in relation to management and operations of our Group, which included certain non-competition undertakings, improvement of the procurement system, establishment of a new research and development center and cooperation with international suppliers overseas. None of our Company, subsidiaries or Controlling Shareholders has provided any profit guarantee to Carlyle (HK).

Pursuant to the Reorganization, Carlyle became our Shareholder in July 2010 after Carlyle (HK) ceased to hold its shares in Yashili (Guangdong) and Yashili (Guangdong) became an indirect wholly-owned subsidiary of our Company. For further details of the Reorganization, please see the paragraph headed "B. Reorganization" in Appendix VI of this Prospectus. The Shares held by Carlyle are subject to a six-month lock-up arrangement from the date of Listing. In addition, the Shares held by Carlyle are not subject to any special or preferential rights and ranked *pari passu* with Shares held by other Shareholders.

Carlyle currently has two representatives, Mr. Luo Yi and Mr. Zhang Chi, on our Board which comprises ten Directors, and Mr. Luo Yi is also on the board of directors of Yashili (Guangdong), which comprises seven directors.

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Information regarding the Carlyle Group

The Carlyle Group is a global alternative asset manager with more than US\$90.6 billion under management with 66 funds across four investment disciplines, including buyouts, credit alternatives, growth capital and real estate, with offices in 19 countries. The Carlyle Group started to become active in seeking appropriate investment opportunities in the PRC dairy industry in 2008 and identified Yashili (Guangdong) as the most suitable player in the market after a number of dialogues with other domestic dairy and infant formula manufacturers in the market.

Since the investment by Carlyle Asia Partners III L.P. in our Group, the Carlyle Group has leveraged its global resources to help improve our operation and financial performance. Specifically, it introduced KPMG as our new auditors, assisted in improving the existing financial reporting and control system, assisted in recruiting Mr. Lee Fun-ya as our chief technology officer, Mr. Allen Ho as our chief quality advisor and Mr. Joseph Shing Yee Chan as our chief financial officer and assisted in the establishment of our Food Quality and Safety Advisory Committee. It also leveraged its capital market and mergers and acquisitions experiences in assisting our Group in its preparation for the Listing. Carlyle has also nominated Mr. Luo Yi and Mr. Zhang Chi, as non-executive directors of our Company, and Mr. Luo Yi as a director of Yashili (Guangdong).

In February 2010, subsequent to the investment in Yashili (Guangdong) by Carlyle Asia Partners III L.P., the Carlyle Group, which manages Carlyle Asia Partners III L.P., has entered into a strategic alliance with the Fosun Group in relation to cooperation on certain initiatives, including the establishment of a PRC investment fund. The Fosun Group, through Shanghai Fosun Principle Capital, has also invested in our Group in September 2009.

Save as disclosed above and that Zhang's Investment (Shantou) has committed to invest in a fund managed by Carlyle Group, the Carlyle Group has no other past or present relationship or dealing with our Group, its shareholders, directors, senior management, or any of their associates.

(2) Investment by Fosun

Background and principal terms of investment

Fosun, through Shanghai Fosun Principle Capital, invested in Yashili (Guangdong) in September 2009 as a strategic investor. Pursuant to an equity transfer agreement dated 26 September 2009 entered into by Shanghai Fosun Principle Capital, Shanghai Principle Capital and Wholesome Food ("Fosun Investment Agreement"), Shanghai Fosun Principle Capital acquired a 3.6% equity interest in Yashili (Guangdong) at a consideration of RMB151.2 million and such consideration was fully paid on 17 December 2009. On this basis, the valuation of this investment represents a discount ranging from 60.9% to 71.0% to the valuation of our Company upon the Listing, using the lowest and highest end of the indicative Offer Price range set forth on the cover page of this Prospectus. None of our Company, subsidiaries or Controlling Shareholders was a party to the Fosun Investment Agreement, and none of the parties to the Fosun Investment Agreement has provided any profit guarantee to Shanghai Fosun Principle Capital.

Pursuant to the Reorganization, Fosun became our Shareholder in July 2010 after Shanghai Fosun Principle Capital ceased to hold its shares in Yashili (Guangdong) and Yashili (Guangdong) became an indirect wholly-owned subsidiary of our Company. It was contemplated that in return for the transfer by

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Shanghai Fosun Principle Capital of its equity interest in Yashili (Guangdong) to Yashili (HK), Shanghai Fosun Principle Capital would subscribe for and be allotted with such number of new Shares of our Company so that its proportional interest in our Group would remain the same or substantially the same after the completion of the Reorganization having the effect similar to a share swap transaction. Fosun, who owns 99% equity interests in Shanghai Fosun Principle Capital, subscribed for the new Shares instead and the consideration fully paid to our Company by Fosun on 31 August 2010 was used by Yashili (HK) to acquire the equity interest in Yashili (Guangdong) held by Shanghai Fosun Principle Capital. For further details of the Reorganization, please see the paragraph headed “Reorganization” in Appendix VI of this Prospectus. The Shares held by Fosun are subject to six-month lock-up arrangement from the date of the Listing. In addition, the Shares held by Fosun is not subject to any special or preferential rights and rank *pari passu* with Shares held by other Shareholders.

Information regarding Fosun

Fosun is a company principally engaged in investment holding and is wholly-owned by Fosun Group. Fosun specializes in investment in the consumer goods sector and identified Yashili (Guangdong) as an attractive investment opportunity in 2009, given its market position and its development prospects.

Fosun is not directly involved in the day-to-day management of our Group, however, it provides advice to our Group, from time to time, on matters relating to corporate governance, internal control and strategic planning.

Other than Dr. Zhou Linlin, the vice-president of Fosun Group, who was also a former shareholder of SPCI, Fosun has no other past or present relationship or dealing with our Group, its shareholders, directors, senior management, or any of their associates.

(3) Investment by SPCI

SPCI is an investment holding company. It was formerly wholly owned by Dr. Zhou Linlin, and the equity interest held by Dr. Zhou was transferred to 10 Chinese individual investors on 24 September 2010, who are also shareholders of Shanghai Principle Capital and are Independent Third Parties. SPCI is owned by the same 10 individuals in the same proportions that reflect their ownerships in Shanghai Principle Capital. The 10 individuals, through Shanghai Principle Capital, invested in Yashili (Guangdong) in September 2009. Pursuant to the Fosun Investment Agreement, Shanghai Principle Capital acquired a 2.4% equity interest in Yashili (Guangdong) at a consideration of RMB100.8 million and such consideration was fully paid on 17 December 2009. On this basis, the valuation of this investment represents a discount ranging from 60.9% to 71.0% to the valuation of our Company upon the Listing, using the lowest and highest end of the Offer Price. As part of the Reorganization, it was initially contemplated that in return for the transfer of the entire equity interest in Yashili (Guangdong) to Yashili (HK) from each of the then shareholders of Yashili (Guangdong), each of the then shareholders of Yashili (Guangdong), including Shanghai Principle Capital, would subscribe for and be allotted with such numbers of new Shares of our Company, so that their proportional interests in our Group would remain the same or substantially the same after the completion of the Reorganization having the effect similar to a share swap transaction. However, Shanghai Principle Capital did not take up their respective number of Shares of our Company and SPCI instead subscribed for such Shares. This was a temporary arrangement between Shanghai Principle Capital, SPCI and its former shareholder Dr. Zhou, as the 10 individuals were still in the process of applying for their relevant SAFE registration in

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the PRC at that time, which is legally required in order for them to hold interests in our Company and SPCI. Such registration was accepted by the relevant local branch of SAFE on 24 September 2010 and on the same date, the 10 individuals became the shareholders of SPCI and SPCI settled the consideration of the subscription of Shares in our Company.

On 2 July 2010, SPCI subscribed for 2,436 new Shares for a consideration of RMB35.3 million. The consideration, which has been settled on 24 September 2010, was determined with reference to the appraised value of the net assets of Yashili (Guangdong) attributable to the equity interest of SPCI in our Company upon completion of the Reorganization, which are to be acquired by Yashili (HK). The investment by SPCI in our Group is not contingent upon the successful listing of our Shares on the Stock Exchange. For further details of the Reorganization, please see the paragraph headed “Reorganization” in Appendix VI to this Prospectus.

In demonstrating its commitment to our Company, SPCI has undertaken to our Company and the Joint Global Coordinators that its Shares shall be subject to a six-month lock-up period from the date of the Listing. In addition, the Shares held by SPCI are not subject to any special or preferential rights and are ranked *pari passu* with Shares held by other Shareholders. There are no price adjustment or other form of guarantee arrangement provided for the subscription of Shares by SPCI.

Other than (1) its former shareholder, Dr. Zhou Linlin, who is also the vice-president of Fosun Group, the parent company of our Shareholder, Fosun, and (2) its existing shareholders, being the same 10 individuals who are also shareholders of Shanghai Principle Capital, a former shareholder of Yashili (Guangdong) prior to the Reorganization, SPCI has no other past or present relationship or dealing with our Group, its shareholders, directors, senior management, or any of their associates.

Our Directors confirm that Carlyle, Fosun and SPCI are not conferred any special rights after the Listing.

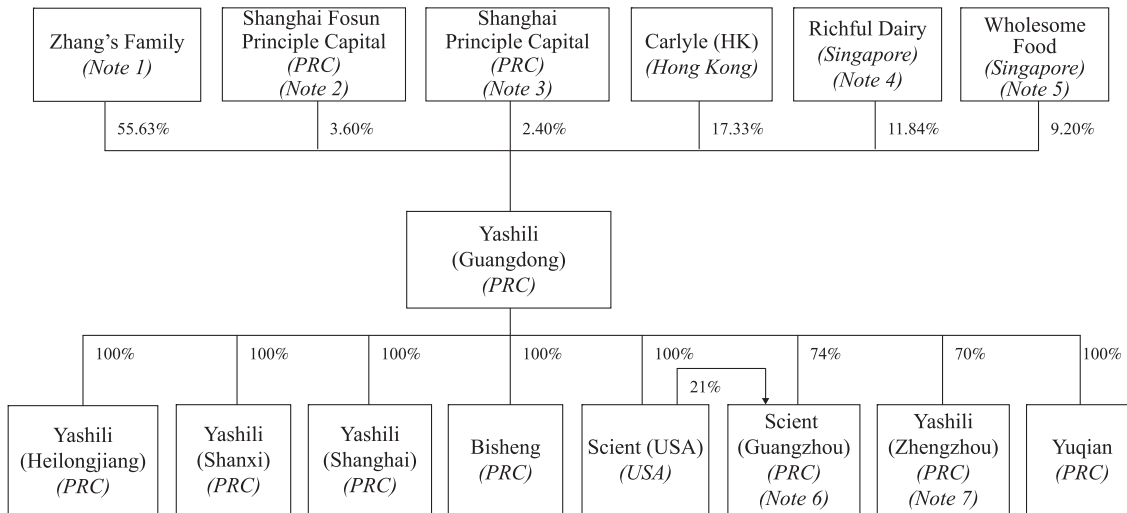
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REORGANIZATION

In order to rationalize our organizational structure, our Group underwent the Reorganization prior to the Listing. Our Company became the holding company of our Group as a result of the Reorganization. Details of the Reorganization are set out in the paragraph headed “Reorganization” in Appendix VI of this Prospectus.

(1) Group structure prior to the Reorganization

The chart below is the corporate structure of our Group immediately prior to the Reorganization:



Notes:

- (1) Immediately prior to the Reorganization, the percentage of the equity interest in Yashili (Guangdong) held by each member of Zhang’s Family was:

Zhang Likun (張利坤)	9.932%
Zhang Lihui (張利輝)	9.895%
Zhang Liming (張利明)	9.895%
Zhang Lidian (張利鈿)	9.895%
Zhang Libo (張利波)	9.895%
She Lifang (余麗芳)	6.114%

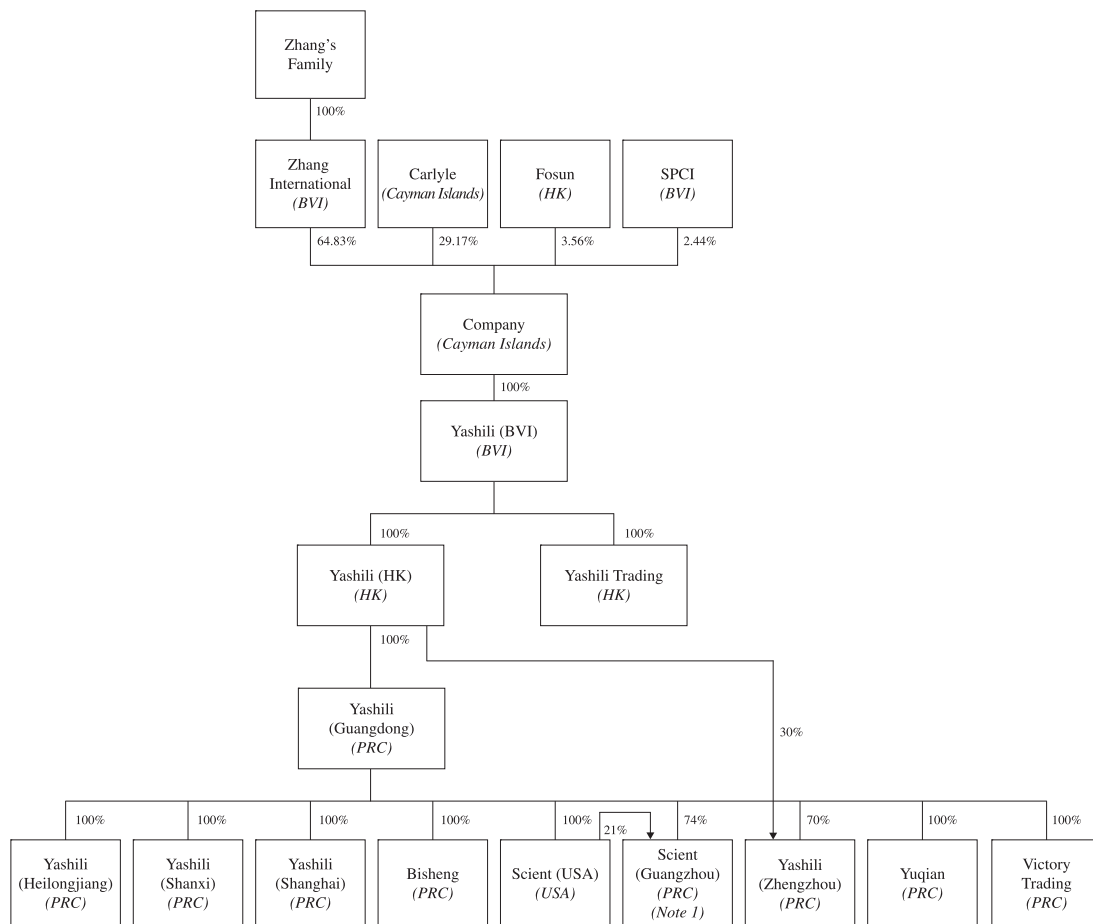
- (2) 99% of the equity interest in Shanghai Fosun Principle Capital was owned by Fosun, which is an Independent Third Party. A total of 1% of the equity interest in Shanghai Fosun Principle Capital was directly and indirectly owned by two of the shareholders of SPCI, who are Independent Third Parties.
- (3) Shanghai Principle Capital is owned by a group of 10 Chinese individual investors who are Independent Third Parties and who also own SPCI.
- (4) Richful Dairy was a financial investor of Yashili (Guangdong) and wholly-owned by Mr. Yeo Hoon Seng, who is the ultimate owner of Scient (Singapore) and an Independent Third Party. Richful Dairy exited its investment in our Group after the Reorganization as a result of its own investment decision and transferred all equity interest in Yashili (Guangdong) to Yashili (HK) at a consideration of RMB171,664,823.70. The consideration it received was determined with reference to the net asset value of Yashili (Guangdong) and its shareholding in Yashili (Guangdong).

HISTORY AND CORPORATE STRUCTURE

- (5) Wholesome Food was a financial investor of Yashili (Guangdong) and owned as to 55% by Mr. Teo Tee Kiah and 45% by Mr. Kim Leng Choon, both Independent Third Parties. Wholesome Food exited its investment in our Group after the Reorganization as a result of its own investment decision and transferred all equity interest in Yashili (Guangdong) to Yashili (HK) at a consideration of RMB133,388,207.61. The consideration it received was determined with reference to the net asset value of Yashili (Guangdong) and its shareholding in Yashili (Guangdong).
- (6) The remaining 5% equity interest in Scient (Guangzhou) are owned by Scient (Singapore), which is an investment holding company and an Independent Third Party.
- (7) The remaining 30% equity interest in Yashili (Zhengzhou) was owned by Richful Dairy.

(2) Group structure after the Reorganization but immediately before the Global Offering

The corporate structure of our Group after the Reorganization but immediately before the Global Offering is set out below:



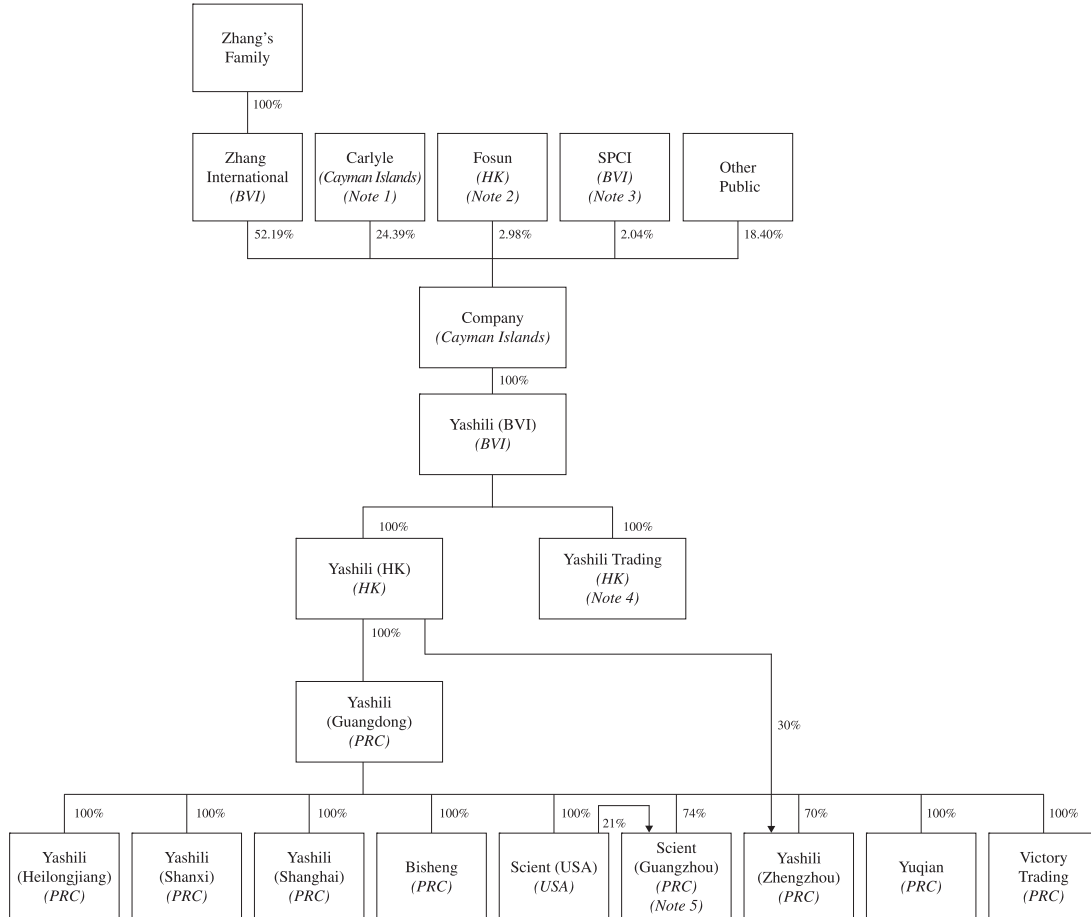
Note:

- (1) The remaining 5% equity interest in Scient (Guangzhou) is owned by Scient (Singapore), which is an Independent Third Party.

HISTORY AND CORPORATE STRUCTURE

(3) Group structure upon the Listing

The corporate structure of our Group upon the Global Offering (assuming the Over-allotment Option is not exercised and none of the Pre-IPO Share Options is exercised) is set out below:



Note:

- (1) Carlyle, wholly-owned by Carlyle Asia Partners III L.P. and an Independent Third Party, is a substantial shareholder (as defined in the Listing Rules) of our Company and therefore will be a connected person of our Group upon the Listing. Carlyle has undertaken to our Company and the Joint Global Coordinators that its Shares shall be subject to a six-month lock-up period from the date of the Listing.
- (2) Fosun is an Independent Third Party and indirectly held 99% equity interests in Shanghai Fosun Principle Capital, a former shareholder of Yashili (Guangdong) immediately prior to the Reorganization. Fosun has undertaken to our Company and the Joint Global Coordinators that its Shares shall be subject to a six-month lock-up period from the date of the Listing. Fosun will be treated as a member of the public for the purpose of satisfying the minimum public float requirement under the Listing Rules.
- (3) SPCI, owned by a group of 10 Chinese individual investors who are Independent Third Parties, will be treated as a member of the public for the purpose of satisfying the minimum public float requirement under the Listing Rules. SPCI has undertaken to our Company and the Joint Global Coordinators that its Shares shall be subject to a six-month lock-up period from the date of the Listing.

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- (4) As at the Latest Practicable Date, Yashili Trading has not commenced any business. In the future, Yashili Trading will serve as trading platform for our Group and import advanced production facility or high quality raw materials from overseas as a part of strategy of our Group.
- (5) The remaining 5% equity interest in Scient (Guangzhou) is owned by Scient (Singapore), which is an Independent Third Party.

SAFE REGISTRATION

The SAFE issued a public notice in October 2005, or the SAFE Circular No. 75, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the SAFE Circular No. 75 as SPVs. PRC residents who are shareholders of SPVs established before 1 November 2005 were required to register with the local SAFE branch before 31 March 2006. Further, PRC residents are required to file amendments to their registrations with the local SAFE branch if their SPVs undergo a material event involving changes in capital, such as changes in share capital, mergers and acquisitions, share transfers or exchanges, spin-off transactions or long-term equity or debt investments. The SAFE subsequently issued relevant guidance to its local branches for the implementation of the SAFE Circular No. 75. This guidance standardizes more specific and stringent supervision on the registration requirement relating to the SAFE Circular No. 75 and further requests PRC residents holding any equity interest or options in SPVs, directly or indirectly, controlling or nominal, to make an overseas investment foreign exchange registration with the SAFE.

Our PRC legal adviser, Tian Yuan Law Firm, has advised that Zhang Likun (張利坤), Zhang Lidian (張利鈿), Zhang Liming (張利明), Zhang Libo (張利波), Zhang Lihui (張利輝), She Lifang (佘麗芳), being the relevant beneficial shareholders of our Group, and are domestic residents of the PRC, have completed their foreign exchange registration of overseas investments through Zhang International at the Guangdong Branch of SAFE.

THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

On 8 August 2006, six PRC Governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the *Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the “M&A Rules”) which became effective on 8 September 2006 and was revised on 22 June 2009. Pursuant to the M&A Rules, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce of the PRC; and the M&A Rules require an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals should obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

HISTORY AND CORPORATE STRUCTURE

Our PRC legal adviser, Tian Yuan Law Firm, has advised that the acquisition by Yashili (HK) of equities of Yashili (Guangdong) from the Domestic Shareholders and the Foreign Shareholders does not fall within the scope of the above regulated activities, as Yashili (Guangdong) has been established as foreign invested limited liability company upon approval of competent commerce authorities, before 8 September 2006, the date from which the M&A Rules became effective.

Furthermore, our Company's PRC legal advisers, Tian Yuan Law Firm, has confirmed that we have complied with all applicable PRC rules and regulations and have obtained all relevant approvals from PRC Government authorities for the Reorganization and the Listing.