
STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

The Global Offering comprises 644,000,000 Shares initially being offered by us for subscription by way of International Offer and Hong Kong Public Offer (assuming the Over-allotment Option is not exercised). A total of 579,600,000 Shares, representing an aggregate of 90% of the initial total number of the Offer Shares, will initially be offered under the International Offer to professional, institutional and/or other investors in Hong Kong and certain other jurisdictions outside the US in accordance with Regulation S and in the US to QIBs in reliance on Rule 144A. A total of 64,400,000 Shares, representing 10% of the initial total number of the Offer Shares, will initially be offered under the Hong Kong Public Offer.

The number of Shares to be offered under the Hong Kong Public Offer and the International Offer are subject to reallocation and, in the case of the International Offer only, the Over-allotment Option, as described below.

Investors may apply for Shares under the Hong Kong Public Offer or indicate an interest for Shares under the International Offer, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors that received the International Offer Shares, and to identify and reject indications of interest in the International Offer from investors that received the Hong Kong Offer Shares. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and/or other investors. The International Offer will involve selective marketing of the International Offer Shares to institutional, professional and/or other investors, which are anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Assuming the Over-allotment Option and options granted or which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised, the Offer Shares will represent approximately 18.40% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue.

If the Over-allotment Option is exercised in full, the Shares comprised in the Global Offering will represent approximately 20.59% of the enlarged issued share capital of us immediately after completion of the Global Offering, the Capitalization Issue and the exercise of the Over-allotment Option, but takes no account of the options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

PRICE PAYABLE ON APPLICATION

The maximum Offer Price of HK\$4.80 per Share plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$4,848.38 per board lot of 1,000 Hong Kong Offer Shares, is payable in full on application.

If the Offer Price, as finally determined in the manner as set out below, is lower than the maximum Offer Price of HK\$4.80 per Share, appropriate refund payments will be made. Further details in this regard are set out in “How to Apply for Hong Kong Offer Shares”.

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DETERMINING THE OFFER PRICE

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “bookbuilding”, is expected to continue up to, and to cease on or about Tuesday, 26 October 2010.

The Offer Price will be fixed by agreement among our Company, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Tuesday, 26 October 2010 or by the latest on Thursday, 28 October 2010. If the Joint Global Coordinators (on behalf of the Underwriters), our Company and the Selling Shareholder are unable to reach an agreement on the Offer Price on Thursday, 28 October 2010, the Global Offering will not proceed and will lapse.

The Offer Price will not be more than HK\$4.80 per Share and is currently expected to be not less than HK\$3.55 per Share. Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.

If, based on the level of interest expressed by prospective investors during the “bookbuilding” process, the Joint Global Coordinators (on behalf of the Underwriters), think it appropriate (for instance, if the level of interest expressed by prospective investors is below the indicative Offer Price range stated in this Prospectus), the number of Offer Shares and/or the indicative Offer Price range may be reduced below that stated in this Prospectus at any time prior to the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer with the consent of our Company and the Selling Shareholder. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of such a change. Such notice will also be available on the website of the Stock Exchange at www.hkexnews.hk and on our Company’s website at www.yashili.hk Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics, as currently set out in “Summary” and any other financial information which may change materially as a result of any such change.

In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction of the number of Offer Shares and/or the indicative Offer Price range in the manner set out above, the Offer Price and/or the number of Offer Shares, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range and the number of Offer Shares as stated in this Prospectus.

The Offer Price, the level of indication of interest in the International Offer, results of the applications and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offer are expected to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Friday, 29 October 2010.

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CONDITIONS OF THE GLOBAL OFFERING

Acceptance of applications for the Offer Shares in the Global Offering are conditional upon:

Listing

The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus (including Shares which may fall to be issued upon the exercise of the Over-allotment Option and any additional Shares, up to 2.76% of the issued share capital of our Company as of the Listing Date, which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme); and

Underwriting Agreements

- (i) the execution and delivery of the International Underwriting Agreement in accordance with its terms or otherwise, prior to, on or about the date of the Price Determination Agreement; and
- (ii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional (which requires, among other things, that the Offer Price be agreed by no later than Thursday, 28 October, 2010 and the Price Determination Agreement be entered into) and the obligations under any of the Underwriting Agreements not being terminated in accordance with their terms or otherwise, prior to 8:00 a.m. on the day on which the Shares commence trading on the Main Board of the Stock Exchange.

If, for any reason, the Price Determination Agreement or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offer and the International Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions is not fulfilled (or, where applicable, waived by the Joint Global Coordinators (on behalf of the Underwriters)) at or before 8:00 a.m. on the Listing Date, the Global Offering will lapse and notice of the lapse will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, application monies will be returned, without interest. The terms on which money will be returned are set out in “Refund of your money” on the Application Forms.

In the meantime, application monies will be held in one or more separate bank account(s) with the receiving bank(s) or any other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

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THE HONG KONG PUBLIC OFFER

Pursuant to the Hong Kong Public Offer, our Company is initially offering 64,400,000 new Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised), for subscription to the public in Hong Kong at the Offer Price. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. However, this may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Hong Kong Offer Shares and that applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the Hong Kong Offer Shares (after taking into account of any reallocation of Offer Shares between the International Offer and the Hong Kong Public Offer referred to below) will be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will initially consist of 32,200,000 Shares and will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Offer Shares with a total subscription amount (excluding amounts of brokerage and Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less. The Hong Kong Offer Shares in pool B will initially consist of 32,200,000 Shares and will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Offer Shares with a total subscription amount (excluding amounts of brokerage and Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the total value of pool B. Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and may only apply for Hong Kong Offer Shares in either pool A or pool B.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him that he has not taken up any Shares under the International Offer nor otherwise participated in the International Offer nor has he indicated (nor will he indicate) an interest under the International Offer, and such applicant's application will be rejected if the said undertaking and confirmation is breached and/or found to be untrue (as the case may be). The Hong Kong Public Offer will be subject to the conditions stated in the paragraph headed "Conditions of the Global Offering" above. The attention of applicants, including nominees who wish to submit separate applications on behalf of different beneficial owners, is drawn to the information regarding multiple applications contained in "How to Apply for Hong Kong Offer Shares" in this Prospectus. Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Offer Shares initially being offered for subscription pursuant to the Hong Kong Public Offer will be rejected at the discretion of the Joint Sponsors on behalf of our Company.

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THE INTERNATIONAL OFFER

The number of Shares to be initially offered for subscription or sale under the International Offer will be 579,600,000 Shares of which 509,600,000 Shares are to be issued by us and 70,000,000 Shares are to be offered for sale by the Selling Shareholder, representing 90% of the total number of Shares initially available under the Global Offering (subject to adjustment and assuming the Over-allotment Option is not exercised).

It is expected that the International Underwriters or selling agents nominated by them on behalf of our Company will conditionally place the International Offer Shares at the Offer Price with professional, institutional and/or other investors in Hong Kong and certain other jurisdictions. Professional and/or institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and/or other securities and corporate entities which regularly invest in shares and/or other securities.

The International Offer is subject to the same conditions as stated in the paragraph headed “Conditions of the Global Offering” above. The total number of International Offer Shares to be allotted and issued or transferred pursuant to the International Offer may change as a result of the clawback arrangement referred to in the paragraph headed “Reallocation of the Offer Shares between the Hong Kong Public Offer and the International Offer” below, exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offer.

Allocation of International Offer Shares to investors pursuant to the International Offer will be effected in accordance with the “bookbuilding” process undertaken by the International Underwriters. Final allocation of the International Offer Shares pursuant to the International Offer is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares or hold or sell its Shares, after the listing of the Shares on the Main Board of the Hong Kong Stock Exchange. Such allocation is generally intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of us and our shareholders taken as a whole.

Professional and institutional investors may apply for Offer Shares under the Hong Kong Public Offer or receive Offer Shares under the International Offer. However, such investor will only receive Offer Shares under either the Hong Kong Public Offer or the International Offer, but not both.

REALLOCATION OF THE OFFER SHARES BETWEEN THE HONG KONG PUBLIC OFFER AND THE INTERNATIONAL OFFER

The allocation of Offer Shares between the Hong Kong Public Offer and the International Offer is subject to adjustment on the following basis:

- (a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times of the number of Shares initially available under the Hong Kong Public Offer, then an additional 128,800,000 Shares, will be reallocated to the Hong Kong Public Offer from the International Offer, so that an aggregate of 193,200,000 Shares will be available under the Hong Kong Public Offer, representing 30% of the Shares being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised);

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- (b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times of the number of Shares initially available under the Hong Kong Public Offer, then an additional 193,200,000 Shares will be reallocated to the Hong Kong Public Offer from the International Offer, so that an aggregate of 257,600,000 Shares will be available under the Hong Kong Public Offer, representing 40% of the Shares being offered pursuant to the Global Offering (assuming Over-allotment Option is not exercised); and
- (c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more of the number of Shares initially available under the Hong Kong Public Offer, then an additional 257,600,000 Shares will be reallocated to the Hong Kong Public Offer from the International Offer, so that an aggregate of 322,000,000 Shares will be available under the Hong Kong Public Offer, representing 50% of the Shares being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised).

International Offer Shares being offered in the International Offer may be reallocated and made available as additional Hong Kong Offer Shares at the discretion of the Joint Global Coordinators (on behalf of the Underwriters) to satisfy valid applications made pursuant to the Hong Kong Public Offer.

If the Hong Kong Offer Shares are not fully subscribed for, the Joint Global Coordinators (on behalf of the Underwriters) have the authority (but not an obligation) to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offer to the International Offer in such proportions as it deems appropriate.

The number of International Offer Shares available under the International Offer will be correspondingly reduced or increased (as the case may be) as a result of reallocation (if any) described above.

OVER-ALLOTMENT OPTION

Pursuant to the International Underwriting Agreement, we are expected to grant the International Underwriters a right, (but not an obligation), exercisable by the Joint Global Coordinators on behalf of the International Underwriters, to exercise the Over-allotment Option up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to issue up to an aggregate of 96,600,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering. These Shares will be offered at the Offer Price per Share for the purpose of covering over-allocations in the International Offer, if any. Any election in respect of the Over-allotment Option may be exercised in whole or in part and from time to time.

The Offer Shares will constitute 2.76% of our issued share capital before exercise of the Over-allotment Option and approximately 2.69% of the enlarged issued share capital of our Company immediately following the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on our Company's website at www.yashili.hk and the website of the Hong Kong Stock Exchange at www.hkexnews.hk as soon as practicable in accordance to the requirements of the Listing Rules.

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OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, UBS AG, Hong Kong Branch, as stabilizing manager, or their authorized agents, may, but are not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilizing activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilizing activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilization including the Securities and Futures (Price Stabilizing) Rules made under the SFO. However, there is no obligation on the stabilizing manager or their authorized agents to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the stabilizing manager or their authorized agents and may be discontinued at any time. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 96,600,000 Shares, which is 15% of the number of Shares initially available under the Global Offering.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the stabilizing manager or their authorized agents may maintain a long position in the Shares. The size of the long position, and the period for which the stabilizing manager or their authorized agents will maintain the long position is at the discretion of the stabilizing manager or their authorized agents and is uncertain. In the event that the stabilizing manager or their authorized agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing activity by the stabilizing manager or their authorized agents is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the day on which the application lists close under the Hong Kong Public Offer. The stabilizing period is expected to end on Wednesday, 24 November 2010. As a result, demand for the Shares, and its market price, may fall after the end of the stabilizing period.

Any stabilizing activity taken by the stabilizing manager or their authorized agents may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the stabilizing manager or their authorized agents may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by investors.

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In order to facilitate the settlement of over-allocations, the stabilizing manager or their authorized agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

The stabilizing manager or their authorized agents may borrow up to 96,600,000 Shares from Zhang International, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under a Stock Borrowing Agreement. The stock borrowing agreement is not subject to the restrictions of rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by Controlling Shareholders following a new listing, provided the following requirements in accordance with the provisions of rule 10.07(3) of the Listing Rules are complied with:

- the stock borrowing agreement will only be effected by the stabilizing manager or their authorized agents for settlement of over-allocations in the International Offer and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares which may be borrowed from Zhang International will be limited to the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Zhang International on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on the Over-allotment Option may be exercised; or (ii) the date on which the Over-allotment Option is exercised in full;
- the borrowing of Shares pursuant to the stock borrowing agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Zhang International by the stabilizing manager in relation to the stock borrowing agreement.

DEALINGS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 1 November 2010, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:30a.m. on Monday, 1 November 2010.