

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 June 2010. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 18 October 2010 and our principal place of business in Hong Kong is at Unit B, 19th Floor, Success Commercial Building 245–251, Hennessy Road, Hong Kong. Zhang Likun of Unit B, 19th Floor, Success Commercial Building 245–251, Hennessy Road, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution comprising a memorandum of association and an articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix V to this Prospectus.

2. Changes in share capital of our Company

- (a) As of the date of incorporation of our Company, its authorized share capital was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. On the same date, one nil-paid Share was allotted and issued to Codan Trust Company (Cayman) Limited, which was then transferred to Zhang International. Immediately after this transfer, our Company became wholly-owned by Zhang International.
- (b) On 2 July 2010, we allotted and issued 55,625 Shares to Zhang International for an aggregate consideration of RMB806,563,694.47 and also credited the one nil-paid Share held by Zhang International as fully paid.
- (c) On 2 July 2010, we allotted and issued 3,564 Shares to Fosun and 2,436 Shares to SPCI, for a consideration of RMB51,673,431.73 and RMB35,318,877.58, respectively.
- (d) On 2 July 2010, we allotted and issued 17,333 Shares to Carlyle issued at nil-paid.
- (e) On 2 July 2010, our Company allotted and issued 11,841 new Shares to Carlyle, as designated by Richful Dairy.
- (f) On 2 July 2010, our Company allotted and issued 9,200 Shares to Zhang International, as designated by Wholesome Food.
- (g) On 2 July 2010, the 17,333 nil-paid Shares held by Carlyle were credited as fully-paid Shares.

Except as disclosed in this Prospectus, there has been no alteration in the share capital of the Company since its incorporation.

Immediately following completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK\$1,000,000,000 divided into 10,000,000,000 Shares, of which 3,500,000,000

Shares will be issued fully paid or credited as fully paid, and 6,500,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our shareholders passed on 8 October 2010” in this Appendix and pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme, we do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Changes in share capital of our Subsidiaries

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this Prospectus:

Yashili (BVI)

- (a) Yashili (BVI), a directly wholly-owned subsidiary of our Company, was established in the BVI on 4 June 2010 with an authorized share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each.
- (b) On 4 June 2010, one share was allotted to our Company for a consideration of US\$1.00. Yashili (BVI) then became wholly owned by our Company.

Yashili (HK)

- (a) Yashili (HK), an indirectly wholly-owned subsidiary of our Company, was incorporated in Hong Kong on 11 June 2010 with an authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each.
- (b) On 11 June 2010, one share was allotted to Yashili (BVI) for a consideration of HK\$1.00. Yashili (HK) then became wholly owned by Yashili (BVI).

Yashili Trading

- (a) Yashili Trading, an indirectly wholly-owned subsidiary of our Company, was incorporated in Hong Kong on 11 June 2010 with an authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each.
- (b) On 11 June 2010, one share was allotted to Yashili (BVI) for a consideration of HK\$1.00. Yashili Trading then became wholly owned by Yashili (BVI).

Yashili (Guangdong)

- (a) On 21 August 2009, the registered capital of Yashili (Guangdong) was increased from RMB450 million to RMB592,105,300. The increased capital was fully paid up among which approximately RMB102.63 million was paid by Carlyle (HK) and approximately RMB39.47 million was paid by Zhang’s Investment (Shantou).

- (b) On 26 September 2009, Wholesome Food entered into equity transfer agreement with Shanghai Fosun Principle Capital and Shanghai Principle Capital, pursuant to which Wholesome Food agreed to transfer 3.6% equity interest in Yashili (Guangdong) to Shanghai Fosun Principle Capital and another 2.4% equity interest to Shanghai Principle Capital.
- (c) Zhang's Family restructured their shareholdings in Yashili (Guangdong) by entering into several equity transfer agreements all dated 10 May 2010, pursuant to which 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), agreed to acquire the equity interest held by their respective spouse, and Zhang's Investment (Shantou) also agreed to transfer 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.
- (d) On 1 July 2010, Yashili (Guangdong) was converted into a sino-foreign equity joint venture limited liability company.
- (e) On 2 July 2010, each of the Domestic Shareholders and the Foreign Shareholders entered into a separate equity agreement with Yashili (HK) respectively, pursuant to which Yashili (HK) agreed to acquire the entire equity interest in Yashili (Guangdong). Yashili (Guangdong) then became wholly owned by Yashili (HK).

Yashili (Zhengzhou)

- (a) On 6 September 2010, Yashili (HK) and Richful Dairy entered into an equity transfer agreement, pursuant to which Yashili (HK) agreed to acquire 30% equity interest in Yashili (Zhengzhou) from Richful Dairy.

Scient (Guangzhou)

- (a) On 1 July 2009, Scient (Singapore) and Scient (USA), entered into an equity transfer agreement, pursuant to which Scient (USA) acquired 20% equity interest in Scient (Guangzhou) from Scient (Singapore). Since then, Scient (Guangzhou) is held as to 74% by Yashili (Guangdong), 21% by Scient (USA) and 5% by Scient (Singapore).

Yuqian

- (a) Yuqian, a direct owned subsidiary of Yashili (Guangdong), was established in the PRC on 4 January 2009, with a registered capital of RMB5 million and held as to 100% by Yashili (Guangdong).

Scient (USA)

- (a) 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).

Yashili (Shanghai)

- (a) On 5 August 2009, Yashili (Guangdong) and Xie Shaoming (謝少明) entered into an equity transfer agreement, pursuant to which Yashili (Guangdong) acquired 50% equity interest in Yashili (Shanghai) from Xie Shaoming (謝少明).
- (b) On 5 August 2009, Yashili (Guangdong) and Lin Weilian (林為蓮) entered into an equity transfer agreement, pursuant to which Yashili (Guangdong) acquired 50% equity interest in Yashili (Shanghai) from Lin Weilian (林為蓮).

Victory Trading

- (a) On 30 October 2007, Victory Trading was established 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).
- (b) On 25 June 2010, Yashili (Guangdong) entered into agreements with each of Lin Rulian (林如蓮) and Liu Chunsheng (劉春盛), pursuant to which Yashili (Guangdong) acquired the entire equity interest in Victory Trading from Lin Rulian (林如蓮) and Liu Chunsheng (劉春盛). Upon completion of this acquisition, Victory Trading then became wholly owned by Yashili (Guangdong).

Save as set out above and in the paragraph headed “Reorganization” under this section in this Appendix, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this Prospectus.

4. Written Resolutions of Our Shareholders Passed on 8 October 2010

Pursuant to the written resolutions of all shareholders entitled to vote at general meetings of our Company, which were passed on 8 October 2010:

- (a) the authorized share capital of our Company be increased from HK\$380,000 to HK\$1,000,000,000 by the creation of 9,996,200,000 shares of HK\$0.1 each which rank *pari passu* in all respects with the Shares in issue as of the date of passing of the written resolutions;
- (b) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK\$292,590,000 be capitalized and be applied in paying up in full at par 2,925,900,000 Shares for allotment and issue to the Shareholders whose names were on the register of members of our Company as of the

close of business on 8 October 2010 and the Shares to be allotted and issued pursuant to the written resolutions shall rank *pari passu* in all respects with the existing issued Shares;

- (c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Global Offering, the Capitalization Issue, the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme) as mentioned in the Prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinator (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
- (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this Prospectus and in the relevant Application Forms;
 - (ii) the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in the paragraph headed “Pre-IPO Share Option Scheme” in this appendix were approved and adopted and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and to take all such actions as they consider necessary and/or desirable to implement and give effect to the Pre-IPO Share Option Scheme;
 - (iii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;
- (d) a general unconditional mandate be and is hereby given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the

Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options which have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue before any exercise of the Over-allotment Option. For the purpose of this paragraph, “Rights Issue” means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

- (e) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of the Over-allotment Option;
- (f) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (e) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (f) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the Global Offering and the Capitalization Issue but before the exercise of the Over-allotment Option be and is approved; and

- (g) the adoption of the Articles of Association.

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until whichever is the earliest of:

- (i) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- (iii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of Our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this Prospectus concerning such repurchase.

(1) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions passed on 8 October 2010 by all our shareholders, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following the completion of the Global Offering, details of which have been described above in the paragraph headed "Further information about our Group — Written resolutions of our shareholders passed on 8 October 2010".

(ii) *Source of funds*

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Shares to be repurchased*

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(2) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our shareholders for our Directors to have general authority from the shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our shareholders.

(3) *Funding of repurchases*

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of Company's current financial position as disclosed in this Prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this Prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(4) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. REORGANIZATION

The Reorganization which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

(1) Incorporation of investment vehicle of Zhang's Family

On 25 May 2010, Zhang International was incorporated in the BVI by Zhang's Family as their wholly-owned investment holding company to hold their Shares. At the time of its incorporation, the issued share capital of Zhang International was owned as to 18% by Zhang Likun (張利坤), 18% by Zhang Lihui (張利輝), 18% by Zhang Liming (張利明), 18% by Zhang Lidian (張利鈿), 18% by Zhang Libo (張利波) and 10% by She Lifang (佘麗芳). As at the Latest Practicable Date, the authorized share capital of Zhang International is US\$50,000 divided into 50,000 shares of US\$1.00 each.

(2) Incorporation of our Company and other intermediate holding companies

- (a) On 3 June 2010, our Company was incorporated under the laws of the Cayman Islands as an exempted company and our Company allotted and issued one nil-paid share of HK\$0.10 to Codan Trust Company (Cayman) Limited. The one nil-paid Share was transferred to Zhang International on the same date. Immediately after this transfer, our Company became wholly-owned by Zhang International. As at the date of incorporation, the authorized share capital of our Company was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each.
- (b) On 4 June 2010, Yashili (BVI) was incorporated under the laws of the BVI as an intermediate holding company of our Group. At the time of its incorporation, the authorized share capital of Yashili (BVI) was US\$50,000 divided into 50,000 shares of US\$1.00 each. On 4 June 2010, our Company subscribed for one share in Yashili (BVI), which then became a wholly-owned subsidiary of our Company.
- (c) On 11 June 2010, Yashili (HK) was incorporated under the laws of Hong Kong as an intermediate holding company of our Group. At the time of its incorporation, the authorized share capital of Yashili (HK) was HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 11 June 2010, Yashili (BVI) subscribed for one share in Yashili (HK), which then became a wholly-owned subsidiary of Yashili (BVI).
- (d) As part of the Reorganization to rationalize our organizational structure prior to the Listing, Yashili Trading was incorporated as a direct wholly-owned subsidiary of Yashili (BVI) on 11 June 2010 to perform trading functions for our Group. At the time of its incorporation, the authorized share capital of Yashili Trading was HK\$10,000

divided into 10,000 shares of HK\$1.00 each. On 11 June 2010, Yashili (BVI) subscribed for one share in Yashili Trading, which then became a wholly-owned subsidiary of Yashili (BVI).

(3) Acquisition of Victory Trading

On 25 June 2010, Yashili (Guangdong), and each of Lin Rulian (林如蓮) and Liu Chunsheng (劉春盛) entered into an equity transfer agreement pursuant to which Yashili (Guangdong) agreed to acquire the entire equity interest in Victory Trading from Lin Rulian and Liu Chunsheng. Upon the completion of this equity transfer, Victory Trading became a wholly-owned subsidiary of our Company.

(4) Subscription of Shares by Zhang International, Fosun, SPCI and Carlyle

On 2 July 2010, Zhang International subscribed for 55,625 new Shares of our Company for an aggregate consideration of RMB806,563,694.47 and paid up its one nil-paid Share. The consideration was determined with reference to the appraised value of the net assets of Yashili (Guangdong) attributable to the equity interest of Zhang's Family in our Company upon completion of the Reorganization, which are to be acquired by Yashili (HK). On the same date, Fosun subscribed for 3,564 new Shares for a consideration of RMB51,673,431.73 and SPCI subscribed for 2,436 new Shares for a consideration of RMB35,318,877.58. The considerations were determined with reference to the appraised value of the net assets of Yashili (Guangdong) attributable to the equity interest of Fosun and SPCI in our Company upon completion of the Reorganization, which are to be acquired by Yashili (HK). The subscription monies paid to our Company by Zhang International, Fosun and SPCI were subsequently used for paying the consideration for the acquisition of equity interest in Yashili (Guangdong) by Yashili (HK) from the Domestic Shareholders, as further described below.

On 2 July 2010, the same date as the subscription of Shares by Zhang International, Fosun and SPCI, Carlyle, as designated by Carlyle (HK), subscribed for 17,333 new Shares issued at nil-paid.

(5) Conversion of Yashili (Guangdong) to a sino-foreign equity joint venture limited liability company and the subsequent acquisition of equity interest in Yashili (Guangdong) by Yashili (HK) from the Domestic Shareholders and the Foreign Shareholders

On 1 July 2010, Yashili (Guangdong) was converted from a joint stock limited liability company into a sino-foreign equity joint venture limited liability company.

Simultaneous with the allotment of new Shares in the Company to Zhang International, Fosun, SPCI and Carlyle on 2 July 2010, each of the Domestic Shareholders and the Foreign Shareholders entered into a separate equity transfer agreement with Yashili (HK). Pursuant to the terms of the equity transfer agreements, Yashili (HK) agreed to acquire the entire equity interest in Yashili (Guangdong) from each of the then shareholders of Yashili (Guangdong) as follows:

Foreign Shareholders	Percentage of equity interest
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%
Shanghai Fosun Principle Capital	3.600%
Shanghai Principle Capital	2.400%
Carlyle (HK)	17.333%
Richful Dairy	11.841%
Wholesome Food	9.200%
Total:	<u>100%</u>

The aggregate consideration for the acquisition of equity interest in Yashili (Guangdong) by Yashili (HK) from the Domestic Shareholders is RMB893,556,003.78, based on the appraised value of the net assets of Yashili (Guangdong) attributable to the equity interest of the Domestic Shareholders. On the same date, our Company, Yashili (HK), Yashili (BVI) and the Domestic Shareholders entered into a deed of assumption, pursuant to which our Company has agreed to undertake the payment for the consideration for the purchase of equity interest in Yashili (Guangdong) held by the Domestic Shareholders for and on behalf of Yashili (HK), and Yashili (HK) is thereby released from the obligation to pay the Domestic Shareholders the consideration for the purchase of their respective equity interest in Yashili (Guangdong).

In consideration for the Foreign Shareholders transferring their respective equity interest in Yashili (Guangdong) to Yashili (HK), Yashili (HK) agreed to procure our Company, and our Company agreed, to credit the 17,333 new Shares held by Carlyle as fully-paid Shares, and allot and issue 11,841 new Shares to Richful Dairy (or another entity designated by them) and allot and issue 9,200 new Shares to Wholesome Food (or another entity designated by them).

On the same date, our Company, Yashili (HK), Yashili (BVI), Carlyle (HK) and Richful Dairy entered into a deed of assumption, pursuant to which our Company has agreed to undertake the payment for the consideration for the purchase of equity interest in Yashili (Guangdong) held by Carlyle (HK) and Richful Dairy for and on behalf of Yashili (HK) by way of crediting the 17,333 nil-paid Shares held by Carlyle as fully-paid Shares, the allotment and issue of 11,841 new Shares to Richful Dairy or another entity designated by them and Yashili (HK) is thereby released from the obligations to pay each of Carlyle (HK) and Richful Dairy the consideration for the purchase of their respective equity interest in Yashili (Guangdong). On the same date, our Company, Yashili (HK), Yashili (BVI) and Wholesome Food entered into a deed of assumption, pursuant to which the Company has agreed to undertake the payment for the consideration for the

purchase of the 9.20% equity interest in Yashili (Guangdong) held by Wholesome Food for and on behalf of Yashili (HK) by way of crediting the 9,200 nil-paid Shares held by Wholesome Food as fully-paid Shares, the allotment and issue of 9,200 new Shares to Wholesome Food or another entity designated by them, and Yashili (HK) is thereby released from the obligation to pay Wholesome Food the consideration for the purchase of its 9.20% equity interest in Yashili (Guangdong).

On 2 July 2010, the transfers of equity interest in Yashili (Guangdong) held by the Domestic Shareholders and the Foreign Shareholders to Yashili (HK) were approved by the Department of Foreign Trade and Economic Cooperation of Guangdong Province. On 5 July 2010, the equity transfer agreements for the transfers of equity interest in Yashili (Guangdong) held by the Domestic Shareholders and the Foreign Shareholders to Yashili (HK) were registered with the Chaozhou Administration for Industry and Commerce (Chaozhou AIC), Guangdong Province, and our Company credited the 17,333 nil-paid Shares held by Carlyle as fully-paid Shares, pursuant to the terms of the deed of assumption entered into between our Company, Yashili (HK), Yashili (BVI), Carlyle (HK) and Richful Dairy.

Our Company will settle the aggregate consideration of RMB893,556,003.78 in full, for and on behalf of Yashili (HK), pursuant to the terms of the deed of assumption entered into between our Company, Yashili (HK), Yashili (BVI) and the Domestic Shareholders and the equity transfer agreements entered into between each of the Domestic Shareholders and Yashili (HK), after the Listing.

On 2 July 2010, being the same date as the transfers of equity interests in Yashili (Guangdong) held by the Domestic Shareholders and the Foreign Shareholders to Yashili (HK) approved by the Department of Foreign Trade and Economic Cooperation of Guangdong Province: (a) the Company allotted and issued 11,841 new Shares to Carlyle, as designated by Richful Dairy, pursuant to the terms of the deed of assumption entered into between the Company, Yashili (HK), Yashili (BVI), Carlyle (HK) and Richful Dairy; and (b) the Company allotted and issued 9,200 new Shares to Zhang International, as designated by Wholesome Food, pursuant to the terms of the deed of assumption entered into between the Company, Yashili (HK), Yashili (BVI) and Wholesome Food.

Immediately after the completion of the acquisition on 5 July 2010 of equity interests in Yashili (Guangdong) by Yashili (HK) from the Domestic Shareholders and the Foreign Shareholders as described above Yashili (Guangdong) became the wholly-owned subsidiary of Yashili (HK).

(6) Capitalization Issue and Global Offering

Conditional on our share premium account being credited as result of the Global Offering, the sum of HK\$292,590,000 will be capitalized and apply in paying up in full at par 1,896,743,934, 104,279,076, 71,274,924 and 853,602,066 Shares to Zhang International, Fosun, SPCI and Carlyle, respectively, and such Shares to be allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares of our Company.

C. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of the Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this Prospectus and are or may be material:

- (a) A capital increase and share subscription agreement dated 31 July 2009 entered into by Yashili (Guangdong), Zhang Likun (張利坤), Zhang Lihui (張利輝), Zhang Liming (張利明), Zhang Lidian (張利鈿), Zhang Libo (張利波), Xie Shunzhen (謝舜珍), She Lifang (佘麗芳), Zhang Yuanjuan (張元娟), Wang Yujiao (王玉嬌), Zhang Peizhu (張佩珠), Yang Chuxian (楊楚賢), Richful Dairy, Wholesome Food, Zhang's Investment (Shantou) and Carlyle (HK), pursuant to which Yashili (Guangdong) issued 142,105,300 ordinary shares, 102,631,600 of which were subscribed by Carlyle (HK) for a consideration equivalent to RMB650 million in US dollars and 39,473,700 of which were subscribed by Zhang's Investment (Shantou) for a consideration of RMB250 million;
- (b) A deed of tax indemnity dated 31 July 2009 entered into by Wholesome Food, Richful Dairy, Zhang Likun (張利坤), Zhang Lihui (張利輝), Zhang Liming (張利明), Zhang Lidian (張利鈿), Zhang Libo (張利波), Xie Shunzhen (謝舜珍), She Lifang (佘麗芳), Zhang Yuanjuan (張元娟), Wang Yujiao (王玉嬌), Zhang Peizhu (張佩珠), Yang Chuxian (楊楚賢) with and in favor of Carlyle (HK) and Yashili (Guangdong) to provide indemnities in respect of, among other matters, any liability for taxation claim or demand in the PRC payable by Yashili (Guangdong) and its subsidiaries before the closing date of Carlyle (HK)'s investment in our Group.
- (c) An equity transfer agreement entered into by Scient (USA) and Scient (Singapore) and signed on 1 July 2009, pursuant to which Scient (USA) agreed to acquire 20% equity interest in Scient (Guangzhou) from Scient (Singapore) for a total consideration of US\$200,000;
- (d) An equity transfer agreement dated 5 August 2009 entered into by Yashili (Guangdong) and Xie Shaoming (謝少明), pursuant to which Yashili (Guangdong) agreed to acquire 50% equity interest in Yashili (Shanghai) from Xie Shaoming (謝少明) for a total consideration of RMB1,000,000;
- (e) An equity transfer agreement dated 5 August 2009 entered into by Yashili (Guangdong) and Lin Weilian (林為蓮), pursuant to which Yashili (Guangdong) agreed to acquire 50% equity interest in Yashili (Shanghai) from Lin Weilian (林為蓮) for a total consideration of RMB1,000,000;
- (f) An equity transfer agreement dated 25 June 2010 entered into by Yashili (Guangdong) and Lin Rulian (林如蓮), pursuant to which Yashili (Guangdong) agreed to acquire 60% equity interest in Victory Trading from Lin Rulian (林如蓮) for a total consideration of RMB8,520,000;
















- (g) An equity transfer agreement dated 25 June 2010 entered into by Yashili (Guangdong) and Liu Chunsheng (劉春盛), pursuant to which Yashili (Guangdong) agreed to acquire 40% equity interest in Victory Trading from Liu Chunsheng (劉春盛) for a total consideration of RMB5,680,000;
- (h) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and Zhang Likun (張利坤), pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by Zhang Likun (張利坤) in Yashili (Guangdong) for a total consideration equivalent to RMB144,059,264.21 in Hong Kong dollars;
- (i) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and Zhang Lihui (張利輝), pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by Zhang Lihui (張利輝) in Yashili (Guangdong) for a total consideration equivalent to RMB143,464,816.77 in Hong Kong dollars;
- (j) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and Zhang Liming (張利明), pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by Zhang Liming (張利明) in Yashili (Guangdong) for a total consideration equivalent to RMB143,464,816.77 in Hong Kong dollars;
- (k) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and Zhang Lidian (張利鈿), pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by Zhang Lidian (張利鈿) in Yashili (Guangdong) for a total consideration equivalent to RMB143,464,816.77 in Hong Kong dollars;
- (l) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and Zhang Libo (張利波), pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by Zhang Libo (張利波) in Yashili (Guangdong) for a total consideration equivalent to RMB143,464,816.77 in Hong Kong dollars;
- (m) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and She Lifang (佘麗芳), pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by She Lifang (佘麗芳) in Yashili (Guangdong) for a total consideration equivalent to RMB88,645,163.18 in Hong Kong dollars;
- (n) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and Shanghai Fosun Principle Capital, pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by Shanghai Fosun Principle Capital in Yashili (Guangdong) for a total consideration equivalent to RMB52,195,386.07 in Hong Kong dollars;
- (o) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and Shanghai Principle Capital, pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by Shanghai Principle Capital in Yashili (Guangdong) for a total consideration equivalent to RMB34,796,923.23 in Hong Kong dollars;
- (p) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and Carlyle (HK), pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by Carlyle (HK) in Yashili (Guangdong) for a total consideration of RMB251,262,786.72;


















- (q) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and Richful Dairy, pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by Richful Dairy in Yashili (Guangdong) for a total consideration equivalent to RMB171,664,823.70 in Hong Kong dollars;
- (r) An equity transfer agreement dated 2 July 2010, entered into by Yashili (HK) and Wholesome Food, pursuant to which Yashili (HK) agreed to acquire the entire equity interest held by Wholesome Food in Yashili (Guangdong) for a total consideration equivalent to RMB133,388,207.61 in Hong Kong dollars;
- (s) Deed of assumption dated 2 July 2010, entered into by our Company, Yashili (BVI), Yashili (HK), Carlyle (HK) and Richful Dairy, pursuant to which our Company agreed to assume the obligation of Yashili (HK) to pay the consideration for the acquisition of equity interest in Yashili (Guangdong) held by Carlyle (HK) and Richful Dairy, respectively;
- (t) Deed of assumption dated 2 July 2010, entered into by our Company, Yashili (BVI), Yashili (HK) and Wholesome Food, pursuant to which our Company agreed to assume the obligation of Yashili (HK) to pay the consideration for the acquisition of equity interest in Yashili (Guangdong) held by Wholesome Food;
- (u) Deed of assumption dated 2 July 2010, entered into by our Company, Yashili (BVI), Yashili (HK) and the Domestic Shareholders, pursuant to which our Company agreed to assume the obligation of Yashili (HK) to pay the consideration for the acquisition of equity interest in Yashili (Guangdong) held by the Domestic Shareholders.
- (v) An equity transfer agreement dated 6 September 2010, entered into by Yashili (HK) and Richful Dairy, pursuant to which Yashili (HK) agreed to acquire 30% equity interest in Yashili (Zhengzhou) from Richful Dairy for a total consideration of RMB30,000,000;
- (w) the Deed of Non-competition dated 8 October 2010 entered into by our Controlling Shareholders in favour of our Company (for itself and for the benefit of each of the members of our Group), the details of which are set out in the paragraph headed “Deed of Non-competition” in the section headed “Relationship with Controlling Shareholders” in this Prospectus;
- (x) a deed of indemnity dated 8 October 2010 entered into between our Controlling Shareholders and our Company for itself and as trustee for its subsidiaries, under which each of the Controlling Shareholder has given certain indemnities in favour of our Group containing, among others, the indemnities referred to the sub-paragraph headed “Deed of Indemnity” under the paragraph headed “Other Information” in this Appendix; and
- (y) the Hong Kong Underwriting Agreement entered into by our Company, our Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters dated 19 October 2010 in relation to the Hong Kong Public Offer.













2. Intellectual Property Rights of our Group

Trademarks

As at the Latest Practicable Date, we have registered the following trademarks:

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	2	1472233	13/11/2010
	PRC	10	1475087	13/11/2010
	PRC	20	1473040	13/11/2010
	PRC	3	1548319	06/04/2011
	PRC	5	1577651	27/05/2011
	PRC	5	3697336	27/01/2016
	PRC	6	1486939	06/12/2010
	PRC	7	1490551	13/12/2010
	PRC	9	1489758	13/12/2010
	PRC	31	1490846	13/12/2010
	PRC	11	1483202	27/11/2010
	PRC	11	1582156	06/06/2011
	PRC	12	1511318	20/01/2011
	PRC	14	1552696	13/04/2011
	PRC	15	1564613	06/05/2011

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
 YASHILI 雅士利®	PRC	16	1572577	20/05/2011
 YASHILI 雅士利®	PRC	18	1480924	27/11/2010
 YASHILI 雅士利®	PRC	19	1480857	27/11/2010
 YASHILI 雅士利®	PRC	21	1465052	27/10/2010
 YASHILI 雅士利®	PRC	21	1552993	13/04/2011
 YASHILI 雅士利®	PRC	23	1469611	06/11/2010
 YASHILI 雅士利®	PRC	24	1468662	06/11/2010
 YASHILI 雅士利®	PRC	25	1465262	27/10/2010
 YASHILI 雅士利®	PRC	26	1465020	27/10/2010
 YASHILI 雅士利®	PRC	27	1504953	13/01/2011
 YASHILI 雅士利®	PRC	28	1465116	27/10/2010
 YASHILI 雅士利®	PRC	28	1553143	13/04/2011
 YASHILI 雅士利®	PRC	29	1060969	20/07/2017
 YASHILI 雅士利®	PRC	29	1079147	13/08/2017
 YASHILI 雅士利®	PRC	30	1072054	06/08/2017
 YASHILI 雅士利®	PRC	29	1072054	06/08/2017
 YASHILI 雅士利®	PRC	30	1084141	20/08/2017
















<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	30	3215710	13/08/2013
	PRC	30	4375346	06/06/2017
	PRC	32	1034760	20/06/2017
	PRC	33	1575786	20/05/2011
	PRC	34	1494832	20/12/2010
	PRC	35	1555837	13/04/2011
	PRC	36	1448984	20/09/2010*
	PRC	37	1448732	20/09/2010*
	PRC	38	1445874	13/09/2010*
	PRC	39	1459904	13/10/2010*
	PRC	40	1451877	27/09/2010*
	PRC	42	1727390	06/03/2012
ya shi li	PRC	5	1775595	30/05/2012
雅士利	PRC	1	5493099	27/10/2019
雅士利	PRC	4	5493122	27/09/2019
雅士利	PRC	6	5493101	13/06/2019
雅士利	PRC	7	5493098	20/08/2019

* Application for renewal submitted

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
雅士利	PRC	8	5493103	27/06/2019
雅士利	PRC	10	5493108	06/06/2019
雅士利	PRC	13	5493120	20/06/2019
雅士利	PRC	14	5493110	20/08/2019
雅士利	PRC	16	5493119	20/08/2019
雅士利	PRC	17	5493118	06/10/2019
雅士利	PRC	22	5493114	06/09/2019
雅士利	PRC	24	5493112	27/08/2019
雅士利	PRC	26	5493123	13/09/2019
雅士利	PRC	29	5493106	13/05/2019
雅士利	PRC	30	5493105	13/06/2019
雅士利	PRC	32	1547055	27/03/2011
雅士利	PRC	39	5493107	27/09/2019
雅士利	PRC	41	5493121	27/09/2019
雅士利	PRC	42	5493102	27/09/2019
雅士利	PRC	5	3111536	13/11/2015
雅士利	PRC	5	3698286	06/01/2016





<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
雅士利	PRC	29	1550512	06/04/2011
雅士利	PRC	30	1571288	13/05/2011
雅士利	PRC	30	1956864	06/11/2012
雅士利	PRC	30	3215707	13/08/2013
雅士利	PRC	30	3903466	20/12/2015
雅士利	PRC	43	3608851	13/09/2015
雅士利	PRC	44	3608848	27/07/2015
雅士利	PRC	45	3608846	20/07/2015
YASHILI	PRC	5	3111538	13/11/2015
YASHILI	PRC	5	3697335	06/01/2016
YASHILI	PRC	29	1550513	06/04/2011
YASHILI	PRC	30	1571284	13/05/2011
YASHILI	PRC	30	3215706	13/08/2013
YASHILI	PRC	30	3903468	20/12/2015
YASHILI	PRC	32	1547054	27/03/2011
YASHILI	PRC	43	3608850	13/09/2015
YASHILI	PRC	44	3608849	27/07/2015

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
YASHILI	PRC	45	3608847	20/07/2015
	PRC	29	797075	06/12/2015
	PRC	29	797076	06/12/2015
	PRC	29	797077	06/12/2015
	PRC	30	1023869	06/06/2017
	PRC	29	6312288	06/10/2019
	PRC	31	6315922	06/10/2019
	PRC	34	6315938	20/10/2019
Anbetter	PRC	29	6257731	27/10/2019
Beswish	PRC	29	6257729	27/09/2019
安贝慧	PRC	29	6257748	27/09/2019
	PRC	29	6334777	13/10/2019
	PRC	31	6315939	06/10/2019
	PRC	34	6312330	20/10/2019
贝益儿	PRC	29	6257749	27/09/2019
乐培健	PRC	29	6257747	27/09/2019

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	30	5047987	27/10/2018
	PRC	29	5628708	20/07/2019
	PRC	29	6260218	27/09/2019
张 氏	PRC	36	4508578	13/09/2018
	PRC	29	6257746	27/09/2019
	PRC	29	4375314	06/04/2019
	PRC	29	6257745	27/09/2019
	PRC	29	6257742	27/09/2019
	PRC	29	6257744	27/09/2019
	PRC	29	6257743	27/09/2019
	PRC	29	1037054	20/06/2017
	PRC	29	1037053	20/06/2017
	PRC	30	1023868	06/06/2017
	PRC	29	3608856	20/01/2015
	PRC	30	3903469	20/12/2015
	PRC	32	1041004	27/06/2017
利士雅	PRC	29	1690701	27/12/2011

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
利士雅	PRC	30	1703153	20/01/2012
利士雅	PRC	32	1683273	13/12/2011
士利	PRC	8	1523425	13/02/2011
利	PRC	4	1456471	13/10/2010*
利	PRC	5	1476607	20/11/2010
利	PRC	14	1460476	20/10/2010
利	PRC	16	1456741	13/10/2010*
利	PRC	18	1484909	06/12/2010
利	PRC	24	1460684	20/10/2010
利	PRC	28	1465112	27/10/2010
利	PRC	42	1476607	27/10/2010
亚士利	PRC	29	1690707	27/12/2011
亚士利	PRC	30	1679142	06/12/2011
亚士利	PRC	32	1683272	13/12/2011
贝智健	PRC	29	1987111	27/03/2014
贝智健	PRC	30	2012573	13/01/2013

* Application for renewal submitted




<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
贝智能	PRC	29	1987110	27/03/2014
贝智能	PRC	30	2012576	13/01/2013
贝智能	PRC	32	1993811	20/02/2014
大胃王	PRC	29	1498386	27/12/2010
大胃王	PRC	30	1502132	06/01/2011
大胃王	PRC	32	1478839	20/11/2010
果维	PRC	29	1510457	20/01/2011
果维	PRC	30	1522421	13/02/2011
好声音	PRC	30	1758531	27/04/2012
	PRC	29	1227172	27/11/2018
	PRC	30	1227337	27/11/2018
	PRC	29	1227337	27/11/2018
黑格	PRC	32	1247732	13/02/2019
	PRC	30	1743525	06/04/2012
绿庄	PRC	29	1202936	27/08/2018
绿庄	PRC	30	1202936	27/08/2018
麦霸	PRC	29	1241324	20/01/2019

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
麦霸	PRC	29	1263982	13/04/2019
麦霸	PRC	30	1263982	13/04/2019
麦霸	PRC	32	1271838	06/05/2019
麦霸680	PRC	30	3055487	13/03/2013
默克	PRC	29	4508579	06/09/2017
	PRC	30	1718823	20/02/2012
易思	PRC	30	1202938	27/08/2018
易思	PRC	29	1202938	27/08/2018
婴智能	PRC	29	1987108	27/03/2014
婴智能	PRC	30	2012579	13/01/2013
正味	PRC	29	3093822	13/03/2013
正味	PRC	30	3093821	13/04/2013
新正味 ZHENG WEI	PRC	29	1753251	20/04/2012
新正味 ZHENG WEI	PRC	30	1983966	27/10/2012
正味 ZHENG WEI	PRC	5	4375362	06/04/2018
正味 ZHENG WEI	PRC	29	1591177	20/06/2011
正味 ZHENG WEI	PRC	29	1753252	20/04/2012

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	30	1470055	06/11/2010
	PRC	30	1602884	13/07/2011
	PRC	30	3215708	20/02/2014
	PRC	32	1587499	13/06/2011
	PRC	33	1663467	06/11/2011
	PRC	29	1714566	13/02/2012
	PRC	30	1718801	20/02/2012
	PRC	32	1715356	13/02/2012
	PRC	5	3903467	27/10/2016
	PRC	5	4375363	13/02/2018
	PRC	29	3903470	20/02/2016
	PRC	29	1526451	20/02/2011
	PRC	30	1557778	20/04/2011
	PRC	32	1506672	13/01/2011
	PRC	5	1974215	13/12/2012
	PRC	5	1974208	13/09/2012
	PRC	30	6816520	27/04/2020








<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	32	6816519	27/04/2020
雅士利	PRC	18	5493117	06/09/2019
雅士利	PRC	20	5493115	06/03/2020
雅士利	PRC	25	5493113	27/12/2019
雅士利	PRC	37	5493111	20/11/2019
雅士利	PRC	40	5493100	20/11/2019
YASHILI	PRC	3	6484303	27/03/2020
YASHILI	PRC	5	6484294	27/04/2020
YASHILI	PRC	10	6484307	13/03/2020
YASHILI	PRC	12	6484301	20/03/2020
YASHILI	PRC	16	6484295	27/03/2020
YASHILI	PRC	21	6484296	27/03/2020
YASHILI	PRC	28	6484305	06/06/2019
YASHILI	PRC	29	6484298	27/11/2019
YASHILI	PRC	30	6484299	27/03/2020
YASHILI	PRC	31	6484302	27/11/2019
YASHILI	PRC	32	6484300	27/03/2020


















<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
YASHILI	PRC	33	6484306	20/03/2020
YASHILI	PRC	34	6484304	27/11/2019
	PRC	2	6312316	27/03/2020
	PRC	3	6315931	20/06/2020
	PRC	4	6315932	27/03/2020
	PRC	5	6315917	20/06/2020
	PRC	6	6315926	20/02/2020
	PRC	7	6315921	20/02/2020
	PRC	8	6312294	27/03/2020
	PRC	9	6312290	27/03/2020
	PRC	10	6315933	13/02/2020
	PRC	11	6312297	27/03/2020
	PRC	12	6312322	20/02/2020
	PRC	13	6312315	20/03/2020
	PRC	14	6312314	20/02/2020
	PRC	15	6312313	13/02/2020
	PRC	20	6312311	27/02/2020












<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	21	6312292	27/02/2020
	PRC	28	6312310	13/05/2020
	PRC	32	6315919	13/02/2020
	PRC	33	6315928	06/02/2020
	PRC	35	6312309	20/06/2020
	PRC	36	6312308	27/03/2020
	PRC	37	6312307	27/03/2010*
	PRC	38	6312305	27/03/2020
	PRC	39	6312318	27/06/2020
	PRC	41	6312306	20/06/2020
	PRC	42	6315913	27/06/2020
	PRC	43	6315927	27/03/2020
	PRC	44	6312317	27/03/2020
	PRC	45	6312329	27/03/2020
	PRC	31	6438376	06/02/2020
Anbetter	PRC	3	6257733	27/02/2020
Anbetter	PRC	5	6257454	13/03/2020















* Application for renewal submitted


















<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
Anbetter	PRC	10	6257449	20/01/2020
Anbetter	PRC	15	6257448	27/01/2020
Anbetter	PRC	24	6257726	27/03/2020
Anbetter	PRC	25	6257727	27/03/2020
Anbetter	PRC	26	6257472	27/03/2020
Anbetter	PRC	30	6257474	20/06/2020
Anbetter	PRC	32	6257450	27/01/2020
Berryer	PRC	5	6257452	13/03/2020
Bestyer	PRC	5	6257453	13/03/2020
Bestyer	PRC	29	6257730	06/02/2020
Beswish	PRC	5	6257451	13/03/2020
Lebakeen	PRC	5	6257462	13/03/2020
Lebakeen	PRC	29	6257732	20/11/2019
U-BETTER	PRC	5	5960289	13/01/2020
安贝慧	PRC	3	6257734	27/02/2020
安贝慧	PRC	5	6257464	13/03/2020
安贝慧	PRC	10	6257455	20/01/2020














<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
安贝慧	PRC	15	6257456	27/01/2020
安贝慧	PRC	24	6257741	27/03/2020
安贝慧	PRC	25	6257475	27/03/2020
安贝慧	PRC	26	6257473	27/03/2020
安贝慧	PRC	30	6257735	06/02/2020
安贝慧	PRC	32	6257471	27/01/2020
安贝慧	PRC	5	6815482	13/06/2020
安贝慧	PRC	29	6815485	27/03/2020
安贝慧	PRC	30	6815483	27/04/2020
安贝慧	PRC	32	6815484	20/04/2020
	PRC	1	6312303	27/03/2020
	PRC	2	6312340	27/03/2020
	PRC	3	6334771	13/03/2020
	PRC	4	6312339	20/03/2020
	PRC	6	6312338	20/02/2020
	PRC	7	6312302	20/02/2020
	PRC	8	6312295	27/03/2020







<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	9	6315916	27/03/2020
	PRC	10	6334770	13/02/2020
	PRC	11	6312296	27/03/2020
	PRC	12	6312323	20/02/2020
	PRC	13	6312337	20/03/2020
	PRC	14	6312336	20/02/2020
	PRC	15	6334773	20/02/2020
	PRC	16	6312301	27/02/2020
	PRC	17	6312321	13/03/2020
	PRC	18	6315934	06/05/2020
	PRC	19	6312300	13/03/2020
	PRC	20	6312335	27/02/2020
	PRC	21	6312293	27/02/2020
	PRC	22	6312334	13/04/2020
	PRC	23	6312333	06/04/2020
	PRC	27	6312332	06/05/2020
	PRC	28	6315930	06/05/2020

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	30	6334775	27/02/2020
	PRC	32	6334776	20/02/2020
	PRC	33	6312331	27/01/2020
	PRC	35	6315937	27/06/2020
	PRC	36	6312327	27/03/2020
	PRC	37	6315936	27/03/2020
	PRC	38	6312304	27/03/2020
	PRC	39	6312319	27/06/2020
	PRC	40	6312298	27/03/2020
	PRC	41	6312326	20/06/2020
	PRC	42	6312299	27/06/2020
	PRC	43	6312328	27/03/2020
	PRC	44	6312325	27/03/2020
	PRC	45	6312324	27/03/2020
贝瑞儿	PRC	5	6235048	13/03/2020
贝瑞儿	PRC	29	6257750	06/02/2020
贝益儿	PRC	5	6257465	13/03/2020
乐培健	PRC	5	6257463	13/03/2020









<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	5	5935066	27/02/2020
	PRC	32	1993809	13/12/2012
	PRC	5	6740370	20/05/2020
	PRC	29	6740368	27/03/2020
	PRC	30	6740371	06/04/2020
	PRC	32	6740372	06/04/2020
	PRC	5	6257461	13/03/2020
	PRC	30	6257736	06/02/2020
	PRC	32	6257470	27/01/2020
	PRC	5	6740373	20/05/2020
	PRC	29	6740374	27/03/2020
	PRC	30	6740375	06/04/2020
	PRC	32	6740369	06/04/2020
	PRC	5	6257460	13/03/2020

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	30	6257739	06/02/2020
	PRC	32	6257468	27/01/2020
	PRC	5	6257458	13/03/2020
	PRC	30	6257738	06/02/2020
	PRC	32	6257467	27/01/2020
	PRC	5	6257459	13/03/2020
	PRC	30	6257740	06/02/2020
	PRC	32	6257469	27/01/2020
	PRC	5	6257457	13/03/2020
	PRC	30	6257737	06/02/2020
	PRC	32	6257466	27/01/2020
	PRC	5	6200067	06/03/2020
	PRC	5	6200069	06/03/2020
	PRC	5	6200063	06/03/2020
	PRC	5	6200065	06/03/2020
	PRC	5	6200066	27/06/2020
	PRC	29	5202318	27/03/2019

<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	29	7010156	20/06/2020
Berryer	PRC	29	6257728	27/09/2019
	PRC	29	5201021	27/03/2019
	PRC	29	5201020	27/03/2019
	PRC	29	5201022	27/03/2019
	PRC	29	5201019	27/03/2019
	PRC	29	5202317	27/03/2019
	PRC	29	6816518	13/08/2020
YASHILI	PRC	25	6484297	13/08/2020
	PRC	1	6312289	13/09/2020
	PRC	18	6312312	13/08/2020
	PRC	40	6315920	20/07/2020
	PRC	24	6334769	13/08/2020
	PRC	25	6334774	27/08/2020
	PRC	26	6334772	13/08/2020












<u>Trademarks</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Expiry Date (DD/MM/YYYY)</u>
	PRC	25	3257454	27/02/2014
	PRC	19	5493116	13/01/2020
	U.S.A	29	2851214	08/06/2004 [#]
	Hong Kong	30/32	200304283AA	09/08/2017
	Hong Kong	29	200304282	09/08/2017
	Hong Kong	3/5/29/30/ 32/33	300447903	28/06/2015










As at the Latest Practicable Date, applications have been made for the registration of the following trademarks:






<u>Trademarks</u>	<u>Place of Application</u>	<u>Class</u>	<u>Registration Number</u>	<u>Application Date (DD/MM/YYYY)</u>
	PRC	5	6816517	02/07/2008
	PRC	9	5493104	21/07/2006
	PRC	12	5493109	21/07/2006
	PRC	16	6315915	11/10/2007
	PRC	17	6312320	08/10/2007
	PRC	19	6312291	08/10/2007
	PRC	26	6315929	11/10/2007
	PRC	30	6315918	11/10/2007

[#] Registration remains in force pursuant to a notice of acceptance and acknowledgement of Sections 8 and 15 declaration by United States Patent and Trademark office dated 8 July 2010.

<u>Trademarks</u>	<u>Place of Application</u>	<u>Class</u>	<u>Registration Number</u>	<u>Application Date (DD/MM/YYYY)</u>
Ambery	PRC	3	6438382	17/12/2007
Ambery	PRC	5	6438386	17/12/2007
Ambery	PRC	29	6438384	17/12/2007
Ambery	PRC	30	6438383	17/12/2007
Ambery	PRC	32	6438385	17/12/2007
Ambery	PRC	33	6438381	17/12/2007
金品麦	PRC	5	7667836	03/09/2009
金品麦	PRC	29	7667833	03/09/2009
金品麦	PRC	30	7667834	03/09/2009
金品麦	PRC	31	7667832	03/09/2009
金品麦	PRC	32	7667835	03/09/2009
能慧	PRC	5	7897546	08/12/2009
能慧	PRC	29	7897572	08/12/2009
能慧	PRC	30	7897600	08/12/2009
雅智	PRC	5	7897543	08/12/2009
雅智	PRC	29	7897569	08/12/2009
雅智	PRC	32	7897582	08/12/2009
正味 ZHENG WEI	PRC	29	4375313	23/11/2004
正味 ZHENG WEI	PRC	30	6740366	23/05/2008

<u>Trademarks</u>	<u>Place of Application</u>	<u>Class</u>	<u>Registration Number</u>	<u>Application Date (DD/MM/YYYY)</u>
	PRC	32	6740367	23/05/2008
	PRC	5	7597972	06/08/2009
	PRC	29	7597980	06/08/2009
	PRC	30	7597979	06/08/2009
	PRC	32	7597978	06/08/2009
	PRC	5	7597975	06/08/2009
	PRC	29	7597976	06/08/2009
	PRC	30	7597974	06/08/2009
	PRC	32	7597977	06/08/2009
	PRC	5	7597969	06/08/2009
	PRC	29	7597971	06/08/2009
	PRC	30	7597973	06/08/2009
	PRC	32	7597970	06/08/2009

<u>Trademarks</u>	<u>Place of Application</u>	<u>Class</u>	<u>Registration Number</u>	<u>Application Date (DD/MM/YYYY)</u>
	PRC	5	8011458	21/01/2010
	PRC	29	8011457	21/01/2010
	PRC	30	8011456	21/01/2010
	PRC	32	8011455	21/01/2010
	PRC	5	8071328	11/02/2010
UBB	PRC	5	8071329	11/02/2010
UBB	PRC	29	8071330	11/02/2010
	PRC	29	8071327	11/02/2010
UBB	PRC	30	8071332	11/02/2010
UBB	PRC	32	8071331	11/02/2010
	PRC	30	8071326	11/02/2010
	PRC	32	8071325	11/02/2010
Newwit	PRC	5	8071321	11/02/2010
Newwit	PRC	29	8071323	11/02/2010
Newwit	PRC	30	8071324	11/02/2010
Newwit	PRC	32	8071322	11/02/2010
	PRC	5	8011450	21/01/2010

<u>Trademarks</u>	<u>Place of Application</u>	<u>Class</u>	<u>Registration Number</u>	<u>Application Date (DD/MM/YYYY)</u>
	PRC	29	8011451	21/01/2010
	PRC	30	8011452	21/01/2010
	PRC	32	8011454	21/01/2010
 益智升级配方	PRC	5	8024243	26/01/2010
 益智升级配方	PRC	29	8024242	26/01/2010
怡慧	PRC	5	7882327	02/12/2009
怡慧	PRC	29	7882345	02/12/2009
怡慧	PRC	30	7882363	02/12/2009
怡慧	PRC	32	7882379	02/12/2009
雅士利BOS均衡优化系统	PRC	5	8092812	03/03/2010
安贝慧BOS均衡优化系统	PRC	5	8092813	03/03/2010

Patents

As at the Latest Practicable Date, we are the registered owner of the following patents:

Type	Place of Registration	Patent Number	Effective Period
Design	PRC	ZL 033101914	28/01/2004–22/06/2013
Design	PRC	ZL 2005 3 0015550.2	16/08/2006–23/05/2015
Design	PRC	ZL 2004 3 0103025.1	05/10/2005–31/10/2014
Design	PRC	ZL 2005 3 0018322.0	01/03/2006–14/06/2015
Design	PRC	ZL 2006 3 0008049.8	27/12/2006–20/03/2016
Design	PRC	ZL 03 3 00756.X	20/08/2003–26/01/2013
Design	PRC	ZL 2004 3 0100467.0	20/04/2005–20/10/2014
Design	PRC	ZL 2005 3 0001044.8	21/09/2005–25/01/2015
Design	PRC	ZL 2005 3 0001045.2	21/09/2005–25/01/2015
Design	PRC	ZL 2005 3 0003429.8	21/09/2005–06/03/2015
Design	PRC	ZL 2005 3 0003373.6	28/12/2005–10/03/2015
Design	PRC	ZL 2005 3 0147165.3	01/11/2006–13/11/2015
Design	PRC	ZL 2006 3 0002064.1	03/01/2007–12/02/2016
Design	PRC	ZL 2005 3 0015551.7	01/03/2006–23/05/2015
Design	PRC	ZL 2005 3 0015552.1	17/05/2006–01/09/2015
Design	PRC	ZL 2005 3 0121642.9	30/05/2007–22/06/2016
Design	PRC	ZL 2006 3 0120407.4	30/05/2007–22/06/2016
Design	PRC	ZL 2007 3 0309229.4	03/09/2008–12/09/2017
Design	PRC	ZL 2007 3 0309231.1	03/09/2008–12/09/2017
Design	PRC	ZL 2007 3 0309230.7	15/10/2008–12/09/2017
Design	PRC	ZL 2009 3 0005589.4	23/12/2009–03/03/2019
Design	PRC	ZL 2009 3 0005588.X	21/04/2010–02/03/2019

As at the Latest Practicable Date, applications have been made for the registration of the following patents:

<u>Type</u>	<u>Place of Application</u>	<u>Application Number</u>	<u>Application Date</u>
Design	PRC	200730156151.7	14/05/2007
Design	PRC	200730156152.1	14/05/2007

Domain Names

As at the Latest Practicable Date, we have registered the following domain names:

<u>Registrant</u>	<u>Domain Name</u>	<u>Date of Registration</u>	<u>Date of Expiry</u>
Yashili (Guangdong)	http://www.yashili.com	10 March 2000	10 March 2011
Yashili (Guangdong)	http://www.aiyingjiayuan.com	26 March 2009	26 March 2011
Yashili (Guangdong)	http://ambery.net.cn/	26 January 2008	26 January 2011
Yashili (Guangdong)	www.yashili.hk	14 September 2010	14 September 2011
Scient (Guangzhou)	http://www.scient.com.cn/	23 May 2002	23 May 2011
Scient (Guangzhou)	http://www.scientbaby.com/	25 February 2008	25 February 2011

3. Further information about our PRC establishments

(a) Yashili (Guangdong)

- (i) nature of the Company: WFOE
- (ii) incorporation date: 9 March 1998
- (iii) term of business license: Starting from 9 March 1998
- (iv) total amount of investment: RMB592,155,300
- (v) registered capital: RMB592,155,300
- (vi) attributable interest of the company: 100%
- (vii) general nature of business: Manufacturing, processing and sales of candies, beverage, preserved food, soybean power, milk powder, roasted food, oatmeal, rice and flour products, cereal; sales of meat product, flavoring, edible oil, purified water, mineral water (hygiene license valid until 20 February 2013); research and development of diary food, infant food, functional food, food for the middle and old aged; purchase of self-used agriculture products (subject to license if so required by PRC laws and regulations)

(b) *Yashili (Heilongjiang)*

- (i) nature of the company: PRC domestic company with limited liability
- (ii) incorporation date: 10 April 2005
- (iii) term of business license: 10 years commencing from 10 April 2005 and expiring on 9 April 2015
- (iv) total amount of investment: N/A
- (v) registered capital: RMB20.08 million
- (vi) attributable interest of the company: 100%
- (vii) general nature of business: Production and sale of dairy products (Food Hygiene License valid until 30 May 2011); export of self-produced products and technology; import of raw materials, ingredients, machine instrumentations, machinery equipment, parts and technology necessary for own production (except commodities prohibited to be imported and/or exported by China)

(c) *Yashili (Shanxi)*

- (i) nature of the company: PRC domestic company with limited liability
- (ii) incorporation date: 31 March 2006
- (iii) term of business license: 1 year commencing from 26 May 2010 and expiring on 1 July 2011
- (iv) total amount of investment: N/A
- (v) registered capital: RMB300 million
- (vi) attributable interest of the company: 100%
- (vii) general nature of business: Production and sale of dairy products

(d) Scient (Guangzhou)

- (i) nature of the company: Foreign invested joint venture with limited liability
- (ii) incorporation date: 29 March 2002
- (iii) term of business license: 50 years commencing from 29 March 2002 and expiring on 29 March 2052
- (iv) total amount of investment: RMB248.30 million
- (v) registered capital: RMB155 million
- (vi) attributable interest of the company: 74%
- (vii) general nature of business: Research, development and manufacturing of special nutritional food (pediatric milk formula powder, children growth formula milk powder, expectant formula milk powder (industrial product manufacture license exclusive for pediatric formula milk powder (drying technique) valid until 27 February 2011, milk powder (special formula milk powder) valid until 20 September 2010, construction of other projects, production or operation are prohibited during construction) , sale of self-manufactured products and provision of relevant after-sale service.

(e) Yashili (Zhengzhou)

- (i) nature of the company: PRC domestic company with limited liability
- (ii) incorporation date: 2 March 2007
- (iii) term of business license: 12 years commencing from 2 March 2007 and expiring on 1 March 2019
- (iv) total amount of investment: RMB125 million
- (v) registered capital: RMB50 million
- (vi) attributable interest of the company: 100%
- (vii) general nature of business: Production of food and chemical products, production and sale of soy products, dairy products and soy milk powder valid until 12 July 2011

(f) Bisheng

- (i) nature of the company: PRC domestic company with limited liability company
- (ii) incorporation date: 30 May 2007
- (iii) term of business license: long-term commencing from 30 May 2007
- (iv) total amount of investment: N/A
- (v) registered capital: RMB10.8 million
- (vi) attributable interest of the company: 100%
- (vii) general nature of business: Production and sale of edible paper, plastic packaging products, iron cans for food, packaging, decorating and printing products, other printing (hygiene license valid until 24 May 2012, print license valid until 31 December 2013; sale of paper materials and chemical materials (dangerous products excluded))

(g) Yashili (Shanghai)

- (i) nature of the company: PRC domestic company with limited liability company
- (ii) incorporation date: 12 June 2008
- (iii) term of business license: 30 years commencing from 12 June 2008 and expiring on 11 June 2038
- (iv) total amount of investment: N/A
- (v) registered capital: RMB2 million
- (vi) attributable interest of the company: 100%
- (vii) general nature of business: Sales of food products (non-material products); commercial consulting; sales of glossary (license to be obtained for business that needs administrative license)

(h) Yuqian

- (i) nature of the Company: PRC domestic company with limited liability
- (ii) incorporation date: 4 January 2009
- (iii) term of business license: Starting from 4 January 2009
- (iv) total amount of investment: N/A
- (v) registered capital: RMB5 million
- (vi) attributable interest of the company: 100%
- (vii) general nature of business: Export and import of cargo and technology (subject to approval if so required by PRC laws and regulations), wholesale and retailing of packaged food (to expire on 21 November 2012)

(i) Victory Trading

- (i) nature of the Company: PRC domestic company with limited liability
- (ii) incorporation date: 30 October 2007
- (iii) term of business license: Starting from 30 October 2007
- (iv) total amount of investment: N/A
- (v) registered capital: RMB 5 million
- (vi) attributable interest of the company: 100%
- (vii) general nature of business: Trading business; export and import of cargo and technology (subject to approval if so required by PRC laws and regulations)

D. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Directors' Service Contracts**

Each of our Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

All reasonable travelling, accommodation and other out-of-pocket expenses reasonable incurred by our Directors in the process of discharging their duties as directors will be borne by our Company. A Director may not vote on any resolution of our Directors regarding the increment of annual salary and the amount of the discretionary bonus payable to him.

The current basic annual salaries of our Directors are as follows:

<u>Name</u>	<u>Annual Amount</u>
Zhang Lidian	RMB900,000
Zhang Likun	RMB800,000
Zhang Liming	RMB700,000
Zhang Libo	RMB700,000
Wu Xiaonan	RMB400,000
Luo Yi	nil
Zhang Chi	nil
Yu Shimao	RMB64,000
Chen Yongquan	RMB64,000
Samuel King On Wong	HK\$400,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

We have not entered into any service contract with our Directors which is for a duration that may exceed three years or which is not determine by us within one year without payment of compensation (other than statutory compensation).

2. Directors' Remuneration During the Track Record Period

For the financial years ended 31 December 2009 and the first half year ended 30 June 2010, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB535,000, RMB1,623,000, RMB2,779,000 and RMB1,028,000, respectively.

Save as disclosed in this Prospectus, no other emoluments have been paid or are payable, in respect of the financial years ended 31 December 2009 and the first half year ended 30 June 2010 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2010 will be approximately RMB662,000.

E. DISCLOSURE OF INTERESTS

1. Disclosure of Interests

Interests and short positions of our Directors in our share capital and our associated corporations following the Global Offering and the Capitalization Issue

Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive in our Shares, underlying Shares and debentures and our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and The Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

- (i) *Directors' interests in the shares of Zhang International (being a holding company of our Company):*

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u>	<u>Percentage of the issued share capital</u>
Zhang Likun	Beneficial owner	18	18%
Zhang Liming	Beneficial owner	18	18%
Zhang Lidian	Beneficial owner	18	18%
Zhang Libo	Beneficial owner	18	18%

Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any shares which may be allotted and issued pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme or the exercise of the Over-allotment Option, in addition to the interests disclosed under paragraph (a) above, so far as our Directors are aware, the following persons are expected to have interests or short positions in our shares or underlying shares which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Interests and short positions in our Shares and underlying Shares:

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Zhang International ⁽¹⁾ .	Beneficial owner	1,826,808,760	52.19%
Carlyle ⁽²⁾	Beneficial owner	853,631,240	24.39%
Carlyle Asia Partners III L.P.	Interested in a controlled corporation	853,631,240	24.39%

Notes:

- (1) Zhang International was held by Zhang's Family as their wholly-owned investment holding company to hold their Shares in our Company.
- (2) Carlyle is wholly owned by Carlyle Asia Partners III L.P.

2. Disclaimers

Save as disclosed in this Prospectus:

- (a) none of our Directors nor any of the parties listed in the section headed "Other Information — Consents of experts" of this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to us or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries;
- (b) none of our Directors nor any of the parties listed in the section headed "Other information — Consents of experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business; and
- (c) none of our Directors or their associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. PRE-IPO SHARE OPTION SCHEME**Summary of Terms**

These options represent share options originally granted Yashili (Guangdong) to the grantees on 1 January 2009 and 1 August 2010 in respect of the shares in our Company, which were exchanged into the Pre-IPO Share Options on 8 October 2010. The purpose of the Pre-IPO Share Option Scheme is to aid us in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of our Company through the granting of options. The principal terms of the Pre-IPO Share Option Scheme, approved by written resolutions of our Shareholders passed on 8 October 2010, are substantially the same as the terms of the Share Option Scheme except that:

- (a) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 94,975,662 Shares representing approximately 2.71% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised);
- (b) save for the options which have been granted as at the Latest Practicable Date, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date;
- (c) options granted to any grantee under the Pre-IPO Share Option Scheme shall vest according to the following schedule:
 - one fifth of the options shall vest on the date which is two months after the Listing Date (the “**First Vesting Date**”);
 - one fifth of the options shall vest on the first anniversary of the First Vesting Date;
 - one fifth of the options shall vest on the second anniversary of the First Vesting Date;
 - one fifth of the options shall vest on the third anniversary of the First Vesting Date; and
 - one fifth of the options shall vest on the fourth anniversary of the First Vesting Date;
- (d) each option granted under the Pre-IPO Share Option Scheme is exercisable within 15 days from the date on which such option becomes vested.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the 94,975,662 Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

Outstanding Options Granted

As at the date of this Prospectus, options to subscribe to an aggregate of 94,975,662 Shares (representing approximately 2.71% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised) at an exercise price of RMB0.11 in respect of the share options granted on 1 January 2009 in relation to shares representing 2.10% of the Company's enlarged share capital and RMB1.84 in respect of the share options granted on 1 August 2010 in relation to shares representing 0.61% of the Company's enlarged share capital, representing a discount of approximately 97.0% and 49.0%, respectively, to the mid-point of the indicative Offer Price range, have been conditionally granted to 181 participants by our Company under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme (the "**Pre-IPO Share Options**") were granted on 12 October 2010 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

The options have been conditionally granted based on the performance of the grantees who have made important contributions and are important to the long-term growth and profitability of our Group. A total of 181 employees including 2 executive Directors and 8 members of the senior management of our Group (set out in the section headed "Directors, Senior Management and Employees" of this Prospectus) have been conditionally granted options under the Pre-IPO Share Option Scheme.

A summary of the grantees who have been granted options under the Pre-IPO Share Option Scheme is set out below:

<u>Grantee</u>	<u>Position</u>	<u>Address</u>	<u>Number of shares to be issued upon full exercise of the Pre-IPO Share Option</u>	<u>Percentage of enlarged issue share capital of our Company after full exercise of the Pre-IPO Share Option</u>
Directors				
Zhang Lidian (張利鋤)	Director	Room 1305, Building 3, Huanbi Garden, Longhu District, Shantou, Guangdong Province, PRC	15,547,248	0.44%
Wu Xiaonan (吳曉南)	Director	Room 805, Building 1, No. 157, Jinsha Road, Longhu District, Shantou, Guangdong Province, PRC	1,434,587	0.04%
Senior Management				
Wu Dinian (吳迪年)	Vice president of sales and marketing	Room 506, No. 170, Huajing Road, Tianhe District, Guangzhou, Guangdong Province, PRC	9,893,703	0.28%
Xie Xunpeng (謝勛鵬)	General manager of sales and marketing	Room 301, Building 20, Weiguan Garden, Zhongshan Garden, Anbu Town, Chaoan County, Guangdong Province, PRC	2,628,898	0.07%

<u>Grantee</u>	<u>Position</u>	<u>Address</u>	<u>Number of shares to be issued upon full exercise of the Pre-IPO Share Option</u>	<u>Percentage of enlarged issue share capital of our Company after full exercise of the Pre-IPO Share Option</u>
Li Mengchun (李孟春)	General manager of quality control	Room 407, Building 2, Gule Garden, Gushan Garden, No.77 Qianyu East Road, Jinan District, Fuzhou, Fujian Province, PRC	954,036	0.03%
Tong Chengfu (佟成付)	General manager of R&D	Room 804, Building 23, Block 3, Zhongxin Dongsha Garden, Guangxia Avenue, Shantou, Guangdong Province, PRC	954,036	0.03%
Pan Jingzhi (潘靜芝)	Special assistant to president	No. 8 Lane Da, Zhuiyuan Road, Panlong Village, Anbu Town, Chaoan County, Guangdong Province, PRC	1,194,311	0.03%
Chen Xiaohong (陳小鴻)	Manager of external affairs	Room 404, Building 4, Weiguan Garden, Zhongshan Garden, Anbu Town, Chaoan County, Guangdong Province, PRC	742,028	0.02%
Jiang Weijian (姜偉建)	Financial manager	No. 421, Team 1, 36th Residents Committee, Wenhua Street, Wudalianchi, Heilongjiang Province, PRC	742,028	0.02%
Lee Fun-ya (李範亞)	Chief Technical Officer	6A, Building 11, Huayu Haoting, Chaoan Avenue, Chaouzhou, Guangdong Province, PRC	494,685	0.01%
Sub-total			<u>34,090,875</u>	<u>0.95%</u>
Other grantees who are granted options for 800,000 Shares or above				
Zhang Yangpeng (張雁鵬)	Deputy Manager of Scient (Guangzhou)	Room 1702, Building 6, No. 89 Jinsha Road, Jinxia Avenue, Jinping District, Shantou, Guangdong Province, PRC	2,374,489	0.07%
Lin Yangpin (林仰平)	Deputy Admin Manager of Yashili (Guangdong)	No. 26, Zhongxin Road, Qiaolin Village, Anbu Town, Chaoan County, Guangdong Province, PRC	1,434,587	0.04%
Xu Wenle (許文樂)	Brand Marketing Director of Yashili (Guangdong)	Room 503, Building 2, No. 118 Jinxin Road, Dongdun Avenue, Jinpin District, Shantou, Guangdong Province, PRC	1,194,311	0.03%
Chen Minhui (陳敏輝)	External Relations Director of Yashili (Guangdong)	Room 611, Building 3, No. 21 Huaqiao Xincun Road, Shipaotai Avenue, Jinping District, Shantou, Guangdong Province, PRC	1,194,311	0.03%
Wang Jun (王軍)	General Manager of Scient (Guangzhou)	Room 1404, No. 6, Lane 1661, Changning Road, Changning District, Shanghai, PRC	1,000,000	0.03%

<u>Grantee</u>	<u>Position</u>	<u>Address</u>	<u>Number of shares to be issued upon full exercise of the Pre-IPO Share Option</u>	<u>Percentage of enlarged issue share capital of our Company after full exercise of the Pre-IPO Share Option</u>
Huang Baohua (黃寶華)	Vice President of Yashili (Guangdong)	5F, Building 8, Jiaxin Chengshi Garden, Xianghe Road, Daliang Avenue, Shunde District, Foshan, Guangdong Province, PRC	1,000,000	0.03%
Li Chaoyang (李朝陽)	Planning Director of Yashili (Guangdong)	Room 303, Building 37, Ya Garden, Bigui Garden, Luopu Street, Panyu District, Guangzhou, Guangdong Province, PRC	989,370	0.03%
Zhang Yanbin (張燕斌)	Manager of International Department of Yashili (Guangdong)	Room 1202 and 1302, Building 6, West Block, Jintai Garden, Zhongshan Road, Zhuchi Avenue, Longhu District, Shantou, Guangdong Province, PRC	968,111	0.03%
Sub-total			<u>10,155,179</u>	<u>0.29%</u>
163 other employees	N/A	N/A	<u>50,234,923</u>	<u>1.40%</u>
Total			<u><u>94,975,662</u></u>	<u><u>2.64%</u></u>

In addition to grantees who are Directors or senior management of our Company, 163 other grantees have been granted options to subscribe for 50,234,923 Shares in aggregate, with the number of Shares to be issued upon exercise of the relevant options ranging from 95,757 Shares to 2,374,489 Shares individually.

We have applied to the SFC for an exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part 1 of the Third Schedule to the Companies Ordinance and to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules in connection with the information of the granting of options under the Pre-IPO Share Option Scheme. We have been granted such exemption and waiver by the SFC and the Stock Exchange, respectively, and the details of the waivers are set out in the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from the Companies Ordinance” in this Prospectus.

The options issued under the Pre-IPO Share Option Scheme represent approximately 2.71% of our Company’s enlarged issued share capital as at the Listing Date (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option, any Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme and any share option which may be granted under the Share Option Scheme). Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full and that 3,594,975,662 Shares, comprising 3,500,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 94,975,662 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue, but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any

option which may be granted under the Share Option Scheme, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 2.64% and a dilutive effect of approximately 2.64% on earnings per Share such that the forecasted earnings per Share for the year ending 31 December 2010 will be diluted from approximately HK\$0.164 to approximately HK\$0.160. However, as the options will vest during a period of 5 years, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

Our Directors have undertaken to our Company that they will not exercise the Options granted under the Pre-IPO Share Option Scheme to such extent that the Shares held by the public (as defined in the Listing Rules) after the Global Offering and Capitalization Issue will fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as approved by the Stock Exchange from time to time.

G. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of all the Shareholders passed on 8 October 2010 and adopted by a resolution of the Board on 8 October 2010 (the “**Adoption Date**”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (a) subject to (b) and (c) below, the approval of all the shareholders of our Company for the adoption of the Share Option Scheme;
- (b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 350,000,000 Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and
- (c) the commencement of dealing of the Shares on the Main Board of the Stock Exchange on the Listing Date.

- (d) the obligations of the underwriters under the Underwriting Agreement(s) becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

3. Who May Join

The Board may, at its absolute discretion, offer options (“**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“**Executive**”), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (“**Employee**”);
- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the “**Eligible Persons**”)

4. Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10 per cent. of the Shares in issue as of the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the “**Scheme Mandate Limit**”) provided that:

- (a) Our Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10 per cent. of the Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of

calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.

- (b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.
- (c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

5. Maximum Entitlement of each Participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12 month period exceeds 1 per cent. of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant shall be separately approved by the shareholders of our Company in general meeting with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Company's shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

6. Offer and Grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on The Stock Exchange or an integral multiple thereof).

7. Granting Options to Connected Persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) (where the securities are listed on The Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by shareholders of our Company (voting by way of a poll). Our Company shall send a circular to Shareholders containing the information required under the Listing Rules. All Connected Persons of our Company must abstain from voting in favor at such general meeting.

Approval from the shareholders of our Company is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

8. Offer Period and Number Accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the Grantee together with a remittance in favor of our Company of HK\$1 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the Offer Date (the “**Acceptance Date**”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on The Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

9. Restriction on the Time of Grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing two months immediately preceding the earlier of the date of the Board meeting (as such date is first notified to The Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

10. Minimum Holding Period, Vesting and Performance Target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

11. Amount Payable for Options

The amount payable on acceptance of an Option is HK\$1.0.

12. Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in The Stock Exchange's daily quotations sheet on the offer date; and

- (c) the average closing price of a Share as stated in The Stock Exchange's daily quotation sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

13. Exercise of Option

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set out in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the Grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.
- (iv) Subject as hereinafter provided:
 - (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
 - (b) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

- (c) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of our Company (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (d) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the Grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
 - (i) the Option Period (in respect of any particular Option, the period commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by our Directors to each Grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);
 - (ii) the period of two months from the date of such notice; or
 - (iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option.

- (e) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

14. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the articles of association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the Grantee (or any other person) as the holder thereof.

15. Life of Share Option Scheme

Subject to the terms of this Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

16. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of Option;
- (c) subject to the period mentioned in paragraph headed “Share Option Scheme — Exercise of option” in this section, the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts; or
- (e) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

17. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the Grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by The Stock Exchange from time to time (including the supplemental guidance attached to the letter from The Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes); and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

18. Cancellation of Options not Exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the Grantee stating that such Option is thereby canceled with effect from the date specified in such notice (the "Cancellation Date"):

- (a) the Grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the Grantee makes a written request to the Board for the Option to be canceled; or
- (c) if the Grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been canceled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as of the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

19. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

20. Transferability

The Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such Grantee.

21. Amendment

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Grantee; and (iii) any alteration to the aforesaid termination provisions.

H. OTHER INFORMATION

1. Deed of Indemnity

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, Hong Kong and the PRC, being jurisdictions in which one or more of the companies in our Group are incorporated.

Each of the Controlling Shareholders (together, the “**Indemnifiers**”) has entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters,

in relation to taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed in respect of any taxation:

- (a) to the extent that adequate provision has been made for such taxation in the consolidated audited accounts of our Company or the audited accounts of the relevant Group members up to 30 June 2010;
- (b) falling on any of the members of our Group in respect of any accounting period commencing after 30 June 2010 unless liability for such taxation would not have arisen but for any act or omission of, or transaction voluntarily carried out or effected by, any of such members or any Indemnifier, other than in the ordinary course of business and before the date on which the Global Offering becomes unconditional;
- (c) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2010 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve.

2. Litigation

Save as disclosed in the paragraph headed "Legal proceedings and compliance" in the Business section in this Prospectus, as at the Latest Practicable Date, neither we nor any of our subsidiaries are/is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary Expenses

Our estimated preliminary expenses are approximately US\$5,370.

4. Sponsors

The Sponsors made an application on our behalf to the Listing Committee of The Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and, the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

5. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in their financial or trading position or prospects since 30 June 2010 (being the date to which our latest audited combined financial statements were made up).

6. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

7. Miscellaneous

- (1) Save as disclosed in this Prospectus:
 - (a) within the two years immediately preceding the date of this Prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (d) within the two years immediately preceding the date of this Prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (e) within the two years preceding the date of this Prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
 - (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
 - (g) we have no outstanding convertible debt securities.
- (2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this Prospectus.

8. Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Prospectus:

Name	Qualification
Merrill Lynch Far East Limited	a licensed corporation holding a license under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
UBS AG, Hong Kong Branch	a licensed corporation holding a license under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO
KPMG	Certified Public Accountants
Vigers Appraisal and Consulting Ltd.	Professional property surveyors and valuers
Conyers Dill & Pearman	Cayman Islands legal advisers to our Company
Tian Yuan Law Firm	PRC legal advisers to our Company

9. Consents of Experts

Each of Merrill Lynch Far East Limited, UBS AG, Hong Kong Branch, KPMG, Conyers Dill & Pearman, Vigers Appraisal and Consulting Ltd. and Tian Yuan Law Firm has given and has not withdrawn their respective consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provide by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Particulars of the Selling Shareholder

Particulars of the Selling Shareholder as at the Latest Practicable Date are set out as follows:

Name:	Zhang International Investment Ltd.
Description:	Corporation
Registered office:	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands
Shareholders:	Zhang International is owned as to 18% by Zhang Likun (張利坤), 18% by Zhang Lihui (張利輝), 18% by Zhang Liming (張利明), 18% by Zhang Lidian (張利鈿), 18% by Zhang Libo (張利波) and 10% by She Lifang (佘麗芳).
Number of Sale Shares:	70,000,000 Shares

Each of Zhang Likun, Zhang Liming, Zhang Lidian and Zhang Libo, being a Director, is interested in the Sale Shares through his interest in Zhang International.