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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Privatization Proposal, the Scheme, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yashili, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Scheme Document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Scheme Document.

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Mengniu, the Offeror or Yashili.

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**CHINA MENGNIU DAIRY COMPANY LIMITED**

中國蒙牛乳業有限公司\*

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

(Stock Code: 2319)



**Yashili International Holdings Ltd**

雅士利國際控股有限公司

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

(Stock Code: 1230)

**Star Future Investment Company Limited**

星萊投資有限公司

*(Incorporated in Hong Kong with limited liability)*

## **(1) PROPOSED PRIVATIZATION OF YASHILI BY STAR FUTURE INVESTMENT COMPANY LIMITED BY WAY OF A SCHEME OF ARRANGEMENT**

**(UNDER SECTION 86 OF THE COMPANIES ACT)**

**AND**

## **(2) PROPOSED WITHDRAWAL OF LISTING OF YASHILI**

**Financial Adviser to the Offeror and Mengniu**



**Independent Financial Adviser to the Yashili Independent Board Committee**



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Unless the context otherwise requires, capitalized terms used in this Scheme Document (including this cover page) are defined in "Definitions" in Part I of this Scheme Document.

A letter from the Yashili Board is set out in Part V of this Scheme Document. A letter from the Yashili Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Privatization Proposal and the Scheme is set out in Part VI of this Scheme Document. A letter from Somerley, the Independent Financial Adviser to the Yashili Independent Board Committee, containing its advice to the Yashili Independent Board Committee in respect of the Privatization Proposal and the Scheme is set out in Part VII of this Scheme Document. The Explanatory Memorandum regarding the Privatization Proposal is set out in Part VIII of this Scheme Document.

The actions to be taken by the Yashili Shareholders are set out in Part III of this Scheme Document.

Notices convening the Court Meeting and the Scheme EGM to be held at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Friday, June 23, 2023 at 10:00 a.m. and 11:00 a.m. (or, in the case of the Scheme EGM, as soon as practicable after the conclusion or adjournment of the Court Meeting) respectively are set out on Appendices V and VI to this Scheme Document respectively.

Whether or not you are able to attend the Court Meeting and/or the Scheme EGM or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the Scheme EGM, in accordance with the instructions printed thereon, and to lodge them at Yashili's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, but in any event not later than the respective times and dates specified in them and in Part IV of this Scheme Document. The **white** form of proxy in respect of the Scheme EGM will not be valid if it is not so lodged. In the case of the **pink** form of proxy in respect of the Court Meeting, if it is not so lodged, it may also be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). Completion and return of a form of proxy for the Court Meeting and/or the Scheme EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your forms of proxy, the returned forms of proxy will be revoked by operation of law.

This Scheme Document is issued jointly by Mengniu, the Offeror and Yashili. In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text for the purpose of interpretation.

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## IMPORTANT NOTICE

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### NOTICE TO U.S. INVESTORS

The Privatization Proposal and the Scheme relate to the cancellation of the securities of a company incorporated under the laws of the Cayman Islands by way of a scheme of arrangement provided for under the Companies Act. The Privatization Proposal and the Scheme are subject to Hong Kong procedural disclosure requirements and practices which are different from those of the United States.

The Yashili Shares are listed on the Stock Exchange and are not listed on a United States national securities exchange or registered under the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules of the Exchange Act. Accordingly, the Privatization Proposal and the Scheme are subject to the procedural and disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement and securities offers, which differ from the disclosure and procedural and practice requirements applicable under United States federal securities laws.

The receipt of cash pursuant to the Privatization Proposal or the Scheme by a U.S. holder of the Scheme Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each holder of the Scheme Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Privatization Proposal and the Scheme applicable to him/her/it.

It may be difficult for a U.S. holder of the Scheme Shares to enforce his/her/its rights and claims arising out of the U.S. federal securities laws, as Mengniu, the Offeror and Yashili are incorporated in a country other than the United States, and some or all of their respective officers and directors may be residents of a country other than the United States. A U.S. holder of the Scheme Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult for a U.S. holder of the Scheme Shares to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court’s judgement.

Neither the U.S. Securities and Exchange Commission nor any U.S. state securities commission has approved or disapproved the Privatization Proposal or the Scheme, or determined if this Scheme Document is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

This Scheme Document is not intended to, and does not, constitute, or form part of, an offer or invitation to purchase or subscribe for any securities of Mengniu, the Offeror and Yashili in the United States.

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## **IMPORTANT NOTICE**

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### **PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS**

The performance and the results of operations of the Yashili Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the Yashili Group. This Scheme Document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of Mengniu, the Offeror, Yashili, HSBC, Somerley, RHL, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Privatization Proposal assumes any obligation to correct or update the forward-looking statements or opinions contained in this Scheme Document.

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*In this Scheme Document, the following expressions have the following meanings unless the context requires otherwise:*

<b>“2020 Annual Report”</b>	has the meaning ascribed to it in the section headed “2. Consolidated Financial Statements” in Appendix I of the Scheme Document
<b>“2021 Annual Report”</b>	has the meaning ascribed to it in the section headed “2. Consolidated Financial Statements” in Appendix I of the Scheme Document
<b>“2022 Annual Report”</b>	has the meaning ascribed to it in the section headed “2. Consolidated Financial Statements” in Appendix I of the Scheme Document
<b>“25% Yashili Acquisition”</b>	the acquisition by Mengniu (through the Offeror) from Danone Asia Baby Nutrition Pte. Ltd. of 1,186,390,074 Yashili Shares in accordance with the terms and conditions of the 25% Yashili Acquisition SPA, which was completed on March 9, 2023
<b>“25% Yashili Acquisition SPA”</b>	the sale and purchase agreement dated May 6, 2022 entered into between Mengniu and Danone Asia Baby Nutrition Pte. Ltd. in respect of the sale and purchase of 1,186,390,074 Yashili Shares
<b>“acting in concert”</b>	has the meaning ascribed to it in the Takeovers Code and “ <b>Concert Party(ies)</b> ” shall be construed accordingly
<b>“Approvals”</b>	licences, approvals, permits, consents, permissions, clearances and registrations required by any Authority
<b>“Arla”</b>	Arla Foods amba, a cooperative incorporated under the laws of Denmark
<b>“Arla Beijing”</b>	Arla Foods Dairy Products Technical Service (Beijing) Co., Ltd.* (阿拉福茲乳製品技術服務(北京)有限公司), a company incorporated under the PRC

<b>“Arla Distribution Business”</b>	the business in relation to the distribution by Yashili and its affiliates in the Chinese Mainland and Hong Kong of Arla brand infant milk formula products and other products manufactured by Arla and its affiliates
<b>“associates”</b>	has the meaning ascribed to it under the Takeovers Code
<b>“associated company(ies)”</b>	has the meaning ascribed to it under the Takeovers Code
<b>“Authority(ies)”</b>	any relevant government, administrative or regulatory body, or court, tribunal, arbitrator or governmental agency or authority or department (including any relevant securities exchange) and whether supranational, national, regional or local
<b>“Beneficial Owner(s)”</b>	any beneficial owner(s) of the Yashili Shares
<b>“Cancellation Price”</b>	the cancellation price of HK\$1.20 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme
<b>“CCASS”</b>	the Central Clearing and Settlement System established and operated by HKSCC
<b>“CCASS Participant”</b>	a person admitted to participate in CCASS as a participant, including an Investor Participant

<b>“Chilled Business JVs Acquisition”</b>	the acquisition by IM Mengniu of the 20% equity interest held by Danone (Shanghai) Holding Co., Ltd.* (達能(上海)投資有限公司) in each of the 11 entities (being Inner Mongolia Mengniu Danone Dairy Co. Ltd.* (內蒙古蒙牛達能乳製品有限公司) (currently known as Inner Mongolia Tegaoxin Dairy Co., Ltd.* (內蒙古特高新乳製品有限公司)), Mengniu Dairy (Jiaozuo) Co., Ltd.* (蒙牛乳製品(焦作)有限公司), Mengniu Dairy (Meishan) Co., Ltd.* (蒙牛乳業(眉山)有限公司), Tongliao Mengniu Dairy Co., Ltd.* (通遼市蒙牛乳製品有限責任公司), Mengniu High-Tech Dairy (Ma’anshan) Co., Ltd.* (蒙牛高科乳製品(馬鞍山)有限公司), Ningxia Mengniu Dairy Co., Ltd.* (寧夏蒙牛乳製品有限責任公司), Mengniu Dairy (Tianjin) Co., Ltd.* (蒙牛乳製品(天津)有限責任公司), Mengniu Dairy (Qingyuan) Co., Ltd.* (蒙牛乳業(清遠)有限公司), Mengniu Dairy (Tai’an) Co., Ltd.* (蒙牛乳製品(泰安)有限責任公司), Hubei Frealth Dairy Co., Ltd.* (湖北友芝友乳業有限責任公司) and Mengniu High-Tech Dairy (Beijing) Co., Ltd.* (蒙牛高科乳製品(北京)有限責任公司)), which was completed on August 26, 2022
<b>“Companies Act”</b>	the Companies Act (2023 Revision) of the Cayman Islands
<b>“Control” or “Controlling” or “Controlled”</b>	the ownership of fifty percent (50%) or more of the voting shares or the registered capital of a company, or the power to appoint or elect a majority of the directors or the power to direct the management of a company
<b>“Court”</b>	the Grand Court of the Cayman Islands
<b>“Court Meeting”</b>	the meeting of the Scheme Shareholders convened at the directions of the Court to be held at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Friday, June 23, 2023, at which the Scheme (with or without modifications) will be voted upon, notice of which is set out in Appendix V to this Scheme Document, or any adjournment thereof

<b>“Danone”</b>	Danone S.A., a company incorporated under the laws of France and whose shares are listed on Euronext Paris (symbol: BN)
<b>“Disinterested Scheme Shareholder(s)”</b>	all of the Scheme Shareholders other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, Disinterested Scheme Shareholder(s) shall include any member of the HSBC Group in respect of any Scheme Shares where the beneficial owners of such Scheme Shares are investment clients of a member of the HSBC Group and such beneficial owners (A) control the voting rights attached to such Scheme Shares, (B) give instructions to a member of the HSBC Group as to how such Scheme Shares are to be voted and (C) are not otherwise involved in, or interested in, the Privatization Proposal
<b>“Disinterested Scheme Share(s)”</b>	Scheme Share(s) held by the Disinterested Scheme Shareholders
<b>“Dumex China”</b>	Dumex Baby Food Co., Ltd.* (多美滋嬰幼兒食品有限公司), a company incorporated in the PRC with limited liability
<b>“Dumex China Disposal”</b>	the disposal by Yashili Guangdong of its 100% equity interest in Dumex China to Danone Asia Pacific Holdings Pte. Ltd., which was completed on March 2, 2023
<b>“Dumex China NAV”</b>	the difference between the total assets of Dumex China of approximately RMB522 million as at December 31, 2022 and the total liabilities of Dumex China of approximately RMB24 million as at December 31, 2022, which were classified as assets held for sale and liabilities held for sale in the audited consolidated financial statements of Yashili for the financial year ended December 31, 2022 respectively



<b>“Dumex China SPA”</b>	the equity transfer agreement dated May 6, 2022 entered into between Yashili Guangdong and Danone Asia Pacific Holdings Pte. Ltd. with respect to the Dumex China Disposal
<b>“Exchange Act”</b>	has the meaning ascribed to it in the section headed “Notice to U.S. Investors” in “Important Notice” in this Scheme Document
<b>“Executive”</b>	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director
<b>“exempt fund manager(s)”</b>	has the meaning ascribed to it in the Takeovers Code
<b>“exempt principal trader(s)”</b>	has the meaning ascribed to it in the Takeovers Code
<b>“Explanatory Memorandum”</b>	the explanatory memorandum in relation to the Scheme, set out in Part VIII of this Scheme Document and issued in compliance with the Grand Court Rules of the Cayman Islands 1995 (as revised)
<b>“FY2020 Financial Statements”</b>	has the meaning ascribed to it in the section headed “2. Consolidated Financial Statements” in Appendix I of the Scheme Document
<b>“FY2021 Financial Statements”</b>	has the meaning ascribed to it in the section headed “2. Consolidated Financial Statements” in Appendix I of the Scheme Document
<b>“FY2022 Financial Statements”</b>	has the meaning ascribed to it in the section headed “2. Consolidated Financial Statements” in Appendix I of the Scheme Document
<b>“Grant Day”</b>	the day on which Yashili grants the Phantom Shares to the relevant Phantom Share Recipients

<b>“Hainan Mengniu”</b>	Hainan Mengniu Technology Development Company Limited* (海南蒙牛科技發展有限公司), a company incorporated in the PRC with limited liability, a wholly and directly owned subsidiary of IM Mengniu
<b>“HK\$”</b>	Hong Kong dollar(s), the lawful currency of Hong Kong
<b>“HKSCC”</b>	Hong Kong Securities Clearing Company Limited
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“HSBC”</b>	The Hongkong and Shanghai Banking Corporation Limited, being the financial adviser to the Offeror and Mengniu, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
<b>“HSBC Group”</b>	HSBC and persons controlling, controlled by or under the same control as HSBC
<b>“IM Mengniu”</b>	Inner Mongolia Mengniu Dairy (Group) Company Limited* (內蒙古蒙牛乳業(集團)股份有限公司), a company incorporated in the PRC with limited liability, which is owned directly by Mengniu and indirectly through the wholly-owned subsidiaries of Mengniu as to approximately 99.9997%
<b>“Independent Financial Adviser” or “Sommerley”</b>	Sommerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by Yashili, with the approval of the Yashili Independent Board Committee, to advise the Yashili Independent Board Committee in respect of the Privatization Proposal and the Scheme

<b>“Independent Yashili Shareholders”</b>	Yashili Shareholders other than (i) the Offeror and the Offeror Concert Parties and (ii) those who are interested in or involved in the Proposed Transactions. For the avoidance of doubt, Independent Yashili Shareholders shall include any member of the HSBC Group in respect of any Yashili Shares where the beneficial owners of such Yashili Shares are investment clients of a member of the HSBC Group and such beneficial owners (A) control the voting rights attached to such Yashili Shares, (B) give instructions to a member of the HSBC Group as to how such Yashili Shares are to be voted and (C) are not otherwise involved in, or interested in, the Proposed Transactions
<b>“Investor Participant”</b>	a person admitted to participate in CCASS as an investor participant
<b>“Latest Practicable Date”</b>	May 25, 2023, being the latest practicable date prior to the printing of this Scheme Document for ascertaining certain information in this Scheme Document
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on the Stock Exchange
<b>“Macau”</b>	the Macau Special Administrative Region of the PRC
<b>“Meeting Record Date”</b>	Friday, June 23, 2023, or such other date as shall have been announced by Yashili, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Yashili Shareholders to attend and vote at the Scheme EGM
<b>“Mengniu”</b>	China Mengniu Dairy Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2319)
<b>“Mengniu Director(s)”</b>	the director(s) of Mengniu
<b>“Mengniu Group”</b>	Mengniu and its subsidiaries

<b>“Mengniu International”</b>	China Mengniu International Company Limited, a business company incorporated in the British Virgin Islands with limited liability and a 99.95% directly owned subsidiary of Mengniu as of the Latest Practicable Date
<b>“Mengniu International Exchange Right”</b>	has the meaning ascribed to it in the section headed “9. Shareholding Structure of Yashili” in the Explanatory Memorandum in Part VIII of this Scheme Document
<b>“Mengniu International Exchange Right Recipients”</b>	shareholders of Mengniu International other than Mengniu.  As of the Latest Practicable Date, apart from Mengniu, Mengniu International has 44 shareholders, being HKSCC Nominees Limited and 43 individual shareholders. To the best of the knowledge of the Offeror, these 44 shareholders are former Yashili Shareholders who opted for the hybrid option (being the option to accept the Yashili 2013 VGO for consideration partly in cash and partly in shares of Mengniu International) under the Yashili 2013 VGO, and they are not acting in concert with Mengniu or the Offeror.
<b>“Mengniu Intra-group Transfer”</b>	the proposed transfer of all of the shares in the Offeror held by Mengniu to Hainan Mengniu after the Latest Practicable Date
<b>“Mengniu Shareholder(s)”</b>	the registered holder(s) of the Mengniu Shares
<b>“Mengniu Share(s)”</b>	the ordinary share(s) of par value HK\$0.10 each in the share capital of Mengniu
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
<b>“Offer Period Commencement Date”</b>	March 16, 2022

<b>“Offeror”</b>	Star Future Investment Company Limited 星萊投資有限公司, a company incorporated in Hong Kong with limited liability and a wholly and directly owned subsidiary of Mengniu as of the Latest Practicable Date
<b>“Offeror Concert Party(ies)”</b>	party(ies) acting in concert with the Offeror in relation to Yashili, including Mengniu, Mengniu International, the Mengniu Directors and the HSBC Group (except for members of the HSBC Group, which are exempt principal traders and/or exempt fund managers in their capacity as such, in each case recognized by the Executive as such for the purposes of the Takeovers Code)
<b>“Offeror Director(s)”</b>	the director(s) of the Offeror
<b>“Phantom Share Benchmark Price”</b>	the average closing price of the Yashili Shares as stated in the Stock Exchange’s daily quotations sheets for the 30 trading days immediately preceding the relevant date (inclusive of the relevant date)
<b>“Phantom Share Incentive Scheme”</b>	the phantom share incentive scheme of Yashili as adopted by the Yashili Board on July 15, 2020
<b>“Phantom Share Recipient(s)”</b>	the parties who are granted the Phantom Shares under the Phantom Share Incentive Scheme
<b>“Phantom Share(s)”</b>	the phantom share(s) issued or to be issued to the recipients under the Phantom Share Incentive Scheme
<b>“PRC”</b>	the People’s Republic of China, but for the purpose of this Scheme Document, excluding Hong Kong, Macau and Taiwan
<b>“Privatization Proposal”</b>	the proposal for the privatization of Yashili by the Offeror by way of a scheme of arrangement under section 86 of the Companies Act, on the terms and subject to the Scheme Conditions as described in this Scheme Document

<b>“Proposed Transactions”</b>	the Chilled Business JVs Acquisition, the Dumex China Disposal, and the 25% Yashili Acquisition as disclosed in the Special Deals Circular
<b>“Reference Exchange Rate”</b>	RMB1.00: HK\$1.1436
<b>“Registered Owner”</b>	any owner of Yashili Shares (including without limitation a nominee, trustee, depositary or any other authorized custodian or third party) whose name is entered in the register of members of Yashili
<b>“Relevant Period”</b>	The period commencing on September 16, 2021 (being the date falling six (6) months prior to the Offer Period Commencement Date) and ending on the Latest Practicable Date, both dates inclusive
<b>“Relevant Property”</b>	has the meaning ascribed to it in the section headed “6. Net Asset Value of Yashili as adjusted by the Yashili Property Valuation” in Appendix I of the Scheme Document
<b>“Responsible Profit”</b>	an internal performance indicator of Yashili as set by the Yashili Board for the purpose of evaluating the performance of Yashili and its management team
<b>“RHL”</b>	RHL Appraisal Limited, independent property valuer to Yashili
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Rule 3.5 Announcement”</b>	the announcement dated May 6, 2022, jointly issued by Mengniu, the Offeror and Yashili pursuant to Rule 3.5 of the Takeovers Code in relation to, among other things, the Privatization Proposal
<b>“Rule 3.5 Announcement Date”</b>	May 6, 2022, being the date of the Rule 3.5 Announcement
<b>“Rule 3.7 Announcement”</b>	the announcement dated March 16, 2022, jointly issued by Mengniu and Yashili pursuant to Rule 3.7 of the Takeovers Code

<b>“Scheme”</b>	a scheme of arrangement under section 86 of the Companies Act set out in Appendix IV to this Scheme Document (with or without modifications) involving, among other things, the cancellation of all the Scheme Shares and the simultaneous maintenance of the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by the issuance of new Yashili Shares to the Offeror
<b>“Scheme Condition(s)”</b>	the condition(s) to the Privatization Proposal and the Scheme, as set out in the section headed “5. Conditions to the Privatization Proposal and the Scheme” in the Explanatory Memorandum in Part VIII of this Scheme Document
<b>“Scheme Document”</b>	this composite scheme document, including each of the letters, statements, appendices and notices in it
<b>“Scheme Effective Date”</b>	the date on which the Scheme, if sanctioned by the Court, becomes effective in accordance with its terms and the Companies Act, which is expected to be Tuesday, July 4, 2023 (Cayman Islands time)
<b>“Scheme EGM”</b>	an extraordinary general meeting of Yashili to be held at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong at 11:00 a.m. on Friday, June 23, 2023 (or as soon as practicable after the conclusion or adjournment of the Court Meeting on the same day and at the same place) for the purposes of considering and, if thought fit, approving all resolutions necessary to implement the Privatization Proposal and the Scheme, notice of which is set out in Appendix VI to this Scheme Document, or any adjournment thereof
<b>“Scheme Long Stop Date”</b>	January 31, 2024 (or any other date as may be agreed by the Offeror and Yashili or, to the extent applicable, as permitted by the Executive and/or as the Court may direct)

<b>“Scheme Pre-Conditions”</b>	the pre-conditions to the making of the Privatization Proposal and implementation of the Scheme, as set out in the section headed “2. Pre-Conditions to the Privatization Proposal and the Scheme” in the Explanatory Memorandum in Part VIII of this Scheme Document
<b>“Scheme Record Date”</b>	Tuesday, July 4, 2023, or such other date as shall have been announced by Yashili, being the record date for the purpose of determining entitlements of the Scheme Shareholders under the Scheme
<b>“Scheme Share(s)”</b>	all of the Yashili Shares in issue and such further Yashili Shares as may be issued prior to the Scheme Record Date, other than those held by Mengniu (directly or indirectly), Mengniu International and the Offeror
<b>“Scheme Shareholder(s)”</b>	the registered holder(s) of the Scheme Shares
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Special Deals Circular”</b>	the circular dated July 29, 2022 issued by Yashili in relation to the Proposed Transactions
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiary”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Takeovers Code”</b>	The Code on Takeovers and Mergers of Hong Kong
<b>“Unaffected Price Date”</b>	March 11, 2022, being the last trading day prior to March 14, 2022 when there were irregular trading volumes and price movements in the Yashili Shares
<b>“U.S.” or “United States”</b>	the United States of America
<b>“Vest Day”</b>	the day on which the Phantom Shares shall vest



<b>“Yashili”</b>	Yashili International Holdings Ltd 雅士利國際控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1230)
<b>“Yashili 2013 VGO”</b>	the conditional voluntary offer by Mengniu International to acquire all of the then outstanding Yashili Shares in accordance with the terms and conditions as set out in the composite document issued jointly by Mengniu, Mengniu International and Yashili dated July 23, 2013, which was closed on August 13, 2013
<b>“Yashili Accounts Receivables”</b>	accounts receivables which the Yashili Group is legally entitled to hold that have arisen or will arise from sales contracts entered into between the Yashili Group and its customers and which are to be transferred by the Yashili Group to the Mengniu Group pursuant to the relevant accounts receivables transfer framework agreement dated October 22, 2021 entered into between Mengniu and Yashili
<b>“Yashili Board”</b>	the board of directors of Yashili
<b>“Yashili Director(s)”</b>	the director(s) of Yashili
<b>“Yashili Group”</b>	Yashili and its subsidiaries
<b>“Yashili Guangdong”</b>	Yashili International Group Co. Ltd.* (雅士利國際集團有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of Yashili
<b>“Yashili Independent Board Committee”</b>	the independent board committee of Yashili established by the Yashili Board to make a recommendation to the Disinterested Scheme Shareholders in respect of the Privatization Proposal and the Scheme
<b>“Yashili Initial Listing Date”</b>	November 1, 2010, being the first day on which the Yashili Shares were traded on the Stock Exchange

<b>“Yashili Last Trading Day”</b>	May 6, 2022, being the last day on which the Yashili Shares were traded on the Stock Exchange prior to the publication of the Rule 3.5 Announcement
<b>“Yashili Maanshan”</b>	Yashili Dairy (Maanshan) Trading Limited* (雅士利乳業(馬鞍山)銷售有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of Yashili
<b>“Yashili Newou”</b>	Newou Hong Kong International Co., Limited 新歐香港國際有限公司, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Yashili
<b>“Yashili Property Valuation”</b>	valuation by RHL Appraisal Limited of the properties held by the Yashili Group, which, for the avoidance of doubt, does not include Dumex China, as at February 28, 2023 as set out in Appendix II of the Scheme Document
<b>“Yashili Share(s)”</b>	the ordinary share(s) of par value HK\$0.10 each in the share capital of Yashili
<b>“Yashili Shareholder(s)”</b>	the registered holder(s) of the Yashili Shares
<b>“Yashili-Arla Landed Cost Price”</b>	the aggregate of the purchase price of Yashili, Yashili Maanshan and Yashili Newou for the inventory, the cost of freights to warehouse, custom duty, custom clearance cost and other necessary and reasonable costs incurred and reflected in the book value of the inventory in the accounting books of Yashili, Yashili Maanshan and Yashili Newou, subject to the discount rates as set out in the relevant agreements for the transfer of the Arla Distribution Business to Arla and Arla Beijing dated September 30, 2022

<b>“Yashili-Arla Transition Services Consideration”</b>	(a) a one-off fee of RMB1,000,000; (b) a fixed monthly information technology fee of RMB417,000; and (c) a service fee equal to x% of net revenue from the Arla Distribution Business for each calendar month as calculated in accordance with the terms and conditions of the relevant transition services agreement. “x” shall be 5 during the first six months of the term of the agreement and shall be 3 during the remaining term of the relevant transition services agreement
<b>“%”</b>	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Court hearing of the petition to sanction the Scheme, which is the relevant date in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the Latest Practicable Date.

In this Scheme Document, the Reference Exchange Rate of RMB1.00:HK\$1.1436 is used for illustration purposes only. There is no assurance that any sum in Renminbi can be converted to Hong Kong dollars at the Reference Exchange Rate or at all.

All percentages stated in this Scheme Document are approximations and certain amounts and percentage figures included in this Scheme Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

\* *English names of the PRC entities are translations of their Chinese names and are included for identification purpose only.*

The following are some of the questions you, as a Scheme Shareholder or a Yashili Shareholder, may have and the answers to those questions.

This Scheme Document contains important information and you are encouraged to read this Scheme Document in full, including the appendices, carefully.

**1. WHAT IS THE PURPOSE OF THIS SCHEME DOCUMENT?**

The purpose of this Scheme Document is to provide you with, among other things: (a) further information regarding the Privatization Proposal and the Scheme and the expected timetable; (b) the Explanatory Memorandum; (c) recommendations of the Yashili Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Yashili Independent Board Committee in relation to the Privatization Proposal and the Scheme; (d) notices of the Court Meeting and the Scheme EGM; and (e) the pink and white proxy forms in relation to the Court Meeting and the Scheme EGM, respectively.

**2. WHAT ARE THE COURT MEETING AND, THE SCHEME EGM AND THE COURT HEARING?**

The Court Meeting is convened for the Scheme Shareholders to consider and, if thought fit, approve the Scheme. The Court Meeting will be held at 10:00 a.m. on Friday, June 23, 2023 at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong.

The Scheme EGM is convened for the Yashili Shareholders to consider and, if thought fit, approve all resolutions necessary to implement the Privatization Proposal and the Scheme.

The Scheme EGM will be held at 11:00 a.m. (or as soon as practicable after the conclusion or adjournment of the Court Meeting) on Friday, June 23, 2023 at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong.

If the requisite approval is obtained at the Court Meeting and the resolutions are passed at the Scheme EGM, the Court hearing will be held for the Court to hear the petition to sanction the Scheme. The hearing to sanction the petition is listed to be heard on Thursday, June 29, 2023 at 10:00 a.m. (Cayman Islands time). Any Scheme Shareholder who voted at the Court Meeting and any Beneficial Owner who gave voting instructions to a custodian or a clearing house who voted at the Court Meeting have the right to attend, or appear by counsel, and be heard on the hearing of the petition.

**3. WHAT ARE THE PRIVATIZATION PROPOSAL AND THE SCHEME?**

The Privatization Proposal involves the proposed privatization of Yashili by way of a scheme of arrangement under section 86 of the Companies Act. Upon the fulfillment or waiver (as applicable) of the Scheme Conditions, the Privatization Proposal will be, and the Scheme will become, effective and binding on Yashili and all of the Scheme Shareholders (irrespective of whether or not he, she or it attended or voted at the Court Meeting or the Scheme EGM). Upon the Scheme becoming effective:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the cash payment of the Cancellation Price of HK\$1.20 per Scheme Share;
- (b) such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled will be issued to the Offeror, credited as fully paid, such that Mengniu International and the Offeror will together directly hold 100% of the issued share capital of Yashili, and:
  - (i) assuming that (x) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date and (y) the Mengniu Intra-group Transfer has been completed prior to the Scheme Effective Date, Yashili will become a 99.97% indirectly owned subsidiary of Mengniu effectively;
  - (ii) assuming that (x) the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme Record Date and (y) the Mengniu Intra-group Transfer has been completed prior to the Scheme Effective Date, Yashili will become a 99.99985% indirectly owned subsidiary of Mengniu effectively;
  - (iii) assuming that (x) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date and (y) the Mengniu Intra-group Transfer has not been completed prior to the Scheme Effective Date, Yashili will become a 99.97% indirectly owned subsidiary of Mengniu effectively; or
  - (iv) assuming that (x) the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme

Record Date and (y) the Mengniu Intra-group Transfer has not been completed prior to the Scheme Effective Date, Yashili will become a wholly and indirectly owned subsidiary of Mengniu; and

- (c) the withdrawal of the listing of Yashili Shares on the Stock Exchange is expected to take place as soon as practicable after the Scheme Effective Date.

Please refer to the section headed “3. Terms of the Privatization Proposal” in the Explanatory Memorandum in Part VIII of this Scheme Document for a discussion of the Privatization Proposal and the section headed “5. Conditions to the Privatization Proposal and the Scheme” in the Explanatory Memorandum in Part VIII of this Scheme Document for a discussion of the Scheme Conditions.

**4. WHAT IS THE POSITION OF THE YASHILI INDEPENDENT BOARD COMMITTEE WITH REGARD TO THE PRIVATIZATION PROPOSAL?**

The Yashili Independent Board Committee, having considered the terms of the Privatization Proposal, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Privatization Proposal are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, the Yashili Independent Board Committee recommends the Disinterested Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the resolutions necessary to implement the Privatization Proposal and the Scheme at the Scheme EGM.

**5. WHAT VOTE IS REQUIRED FROM THE SCHEME SHAREHOLDERS AND THE YASHILI SHAREHOLDERS AT THE COURT MEETING AND THE SCHEME EGM RESPECTIVELY IN ORDER FOR THE SCHEME TO BE APPROVED?**

At the Court Meeting, the Scheme must be approved in the following manner:

- (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the Scheme is approved (by way of poll) by the Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and

- (c) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares.

At the Scheme EGM, the following resolutions must be passed in order to implement the Privatization Proposal and the Scheme:

- (a) a special resolution passed by a majority of not less than three-fourths of the votes cast by the Yashili Shareholders present and voting in person or by proxy at the Scheme EGM to approve and give effect to any reduction of the issued share capital of Yashili associated with the cancellation of the Scheme Shares; and
- (b) an ordinary resolution passed by a simple majority of the votes cast by the Yashili Shareholders present and voting in person or by proxy at the Scheme EGM to simultaneously maintain the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled for issuance to the Offeror.

#### **6. WHAT DO I NEED TO DO IF I WANT TO VOTE AT THE COURT MEETING AND/OR THE SCHEME EGM?**

The actions you should take are summarised in “Actions to be Taken” in Part III of this Scheme Document. You should read them carefully.

You are strongly encouraged to:

- (a) in the case of a Scheme Shareholder or a Yashili Shareholder — to exercise your right to vote at the Court Meeting and/or the Scheme EGM;
- (b) in the case of a Beneficial Owner whose Yashili Shares are held by a Registered Owner — to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the Scheme EGM; or
- (c) in the case of a Beneficial Owner whose Yashili Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited (who is not an Investor Participant) — to give voting instructions to your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Yashili Shares with, a CCASS

Participant, to vote in person or by proxy at the Court Meeting and/or the Scheme EGM, or alternatively arrange for some or all of such Yashili Shares to be withdrawn from CCASS and transferred into your own name prior to the Meeting Record Date.

**7. HOW WILL THE VOTES AT THE COURT MEETING AND THE SCHEME EGM BE COUNTED?**

All Scheme Shareholders as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting to approve the Scheme, but only the votes of the Disinterested Scheme Shareholders will be counted for the purpose of satisfying the requirements under Rule 2.10 of the Takeovers Code, as set out in the requirements in paragraphs (a)(ii) and (a)(iii) in the section headed “5. Conditions to the Privatization Proposal and the Scheme” in the Explanatory Memorandum in Part VIII of this Scheme Document.

All Yashili Shareholders as at the Meeting Record Date will be entitled to attend the Scheme EGM and vote on: (a) the special resolution to approve and give effect to any reduction of the issued share capital of Yashili associated with the cancellation of the Scheme Shares; and (b) the ordinary resolution to simultaneously maintain the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the cancellation of the Scheme Shares to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled, for issuance to the Offeror.

**8. WHO SHOULD I CALL IF I HAVE ADDITIONAL QUESTIONS?**

If any Yashili Shareholder has any questions concerning administrative matters relating to the Court Meeting and/or the Scheme EGM, please contact Computershare Hong Kong Investor Services Limited, Yashili’s Hong Kong branch share registrar as follows:

Computershare Hong Kong Investor Services Limited

Address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong  
(Business hours: between 9 a.m. and 4:30 p.m. on Monday to Friday, excluding public holidays in Hong Kong)

Website: [www.computershare.com/hk/contact](http://www.computershare.com/hk/contact)

Tel: 2862 8555 (Service hours: between 9 a.m. and 6 p.m. on Monday to Friday, excluding public holidays in Hong Kong)

Fax: 2865 0990



**1. ACTION TO BE TAKEN BY YASHILI SHAREHOLDERS**

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Yashili Shareholders to attend and vote at the Scheme EGM, the register of members of Yashili will be closed from Monday, June 19, 2023 to Friday, June 23, 2023 (both days inclusive) (or such other dates as may be notified by Yashili by way of announcement(s)), and during such period, no transfer of the Yashili Shares will be effected. In order to qualify to attend and vote at the Court Meeting and the Scheme EGM, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of Yashili in Hong Kong, at Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Friday, June 16, 2023. A subsequent purchaser of Yashili Shares will need to obtain forms of proxy from the transferor if he/she/it wishes to attend and vote at the Court Meeting and/or the Scheme EGM.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the Scheme EGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the Scheme EGM or any adjournment thereof in person, if you are a Scheme Shareholder, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Yashili Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the Scheme EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the branch share registrar of Yashili in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. **The pink form of proxy for use at the Court Meeting should be lodged no less than 48 hours before the time appointed for holding the Court Meeting (i.e. on or before 10:00 a.m., Wednesday, June 21, 2023 (Hong Kong time)) or any adjournment thereof. Alternatively, it may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). The white form of proxy for use at the Scheme EGM must be lodged no less than 48 hours before the time appointed for holding the Scheme EGM (i.e. on or before 11:00 a.m., Wednesday, June 21, 2023 (Hong Kong time)) or any adjournment thereof in order to be accepted, failing which it will not be valid.** The completion and return of a form of proxy for the Court Meeting and/or the Scheme EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In such event, the returned form of proxy will be revoked by operation of law.

**If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the Scheme EGM, you will still be bound by the outcome of the Court Meeting and/or the Scheme EGM if, among other things, the resolutions are passed by the requisite majorities at the Court Meeting and/or the Scheme EGM (as the case may be). We therefore strongly urge you to attend and vote at the Court Meeting and the Scheme EGM in person or by proxy.**

Voting at the Court Meeting and the Scheme EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

Mengniu, the Offeror and Yashili will make an announcement in relation to the results of the Court Meeting and the Scheme EGM, in accordance with Rule 19.1 of the Takeovers Code to the extent applicable, by no later than 7:00 p.m. on Friday, June 23, 2023. If all of the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition to sanction the Scheme by the Court and, if the Scheme is sanctioned, the Scheme Record Date, the Scheme Effective Date and the date of withdrawal of the listing of the Yashili Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

## **2. ACTION TO BE TAKEN BY BENEFICIAL OWNERS WHOSE YASHILI SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS**

Yashili will not recognize any person as holding any Yashili Shares through any trust.

If you are a Beneficial Owner whose Yashili Share(s) are registered in the name of a Registered Owner (other than HKSCC Nominees Limited), you should contact such Registered Owner and give instructions to and/or make arrangements with such Registered Owner as to the manner in which the Yashili Share(s) beneficially owned by you should be voted at the Court Meeting and/or the Scheme EGM.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the Scheme EGM, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the Scheme EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Yashili Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the Scheme EGM shall be in accordance with all relevant provisions in the articles of association of Yashili.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the Scheme EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should he/she/it so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the Scheme EGM or, as applicable, the latest time for lodging transfers of Yashili Shares, in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the Scheme EGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

If you are a Beneficial Owner whose Yashili Share(s) are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Yashili Share(s) with, a CCASS Participant regarding voting instructions to be given to such person, or alternatively arrange for some or all of such Yashili Shares to be withdrawn from CCASS and transferred into your own name prior to the Meeting Record Date, if you wish to vote (in person or by proxy) at the Court Meeting and/or the Scheme EGM. The procedures for voting in respect of the Scheme by the Investor Participants and other CCASS Participants with respect to Yashili Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “*General Rules of CCASS*” and the “*CCASS Operational Procedures*” in effect from time to time.

**3. EXERCISE YOUR RIGHT TO VOTE**

If you are a Yashili Shareholder or a Beneficial Owner, you are strongly urged to exercise your right to vote or give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or at the Scheme EGM.

If you are a Beneficial Owner whose Yashili Share(s) is/are deposited in CCASS, you are strongly urged to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which those Yashili Share(s) should be voted at the Court Meeting and/or at the Scheme EGM without delay and/or withdrawn from CCASS and transferred into your name.

If you are a Registered Owner holding Yashili Shares on behalf of Beneficial Owner(s), you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

If you keep any Yashili Shares in a share lending program, you are strongly urged to recall any outstanding Yashili Shares on loan to avoid market participants using borrowed stock to vote.

If you are in any doubt as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

*The following expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the expected timetable below.*

All references to times and dates are references to Hong Kong times and dates, except as otherwise specified. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the Latest Practicable Date.

**Hong Kong time  
(unless otherwise stated)**

Date of dispatch of this Scheme Document . . . . . Wednesday, May 31, 2023

Latest time for lodging transfers of Yashili Shares to qualify for  
the entitlement to attend and vote at the Court Meeting and the  
Scheme EGM . . . . . 4:30 p.m. on Friday, June 16, 2023

Closure of the register of members of Yashili for determining the  
entitlement to attend and vote at the Court Meeting and the  
Scheme EGM<sup>(1)</sup> . . . . . from Monday, June 19, 2023  
to Friday, June 23, 2023  
(both days inclusive)

Latest time for lodging forms of proxy in respect of:

- Court Meeting<sup>(2)</sup>. . . . . 10:00 a.m. on Wednesday, June 21, 2023  
(or alternatively to be handed  
to the chairman of the Court  
Meeting at the Court Meeting)
- Scheme EGM<sup>(2)</sup> . . . . . 11:00 a.m. on Wednesday, June 21, 2023

Meeting Record Date . . . . . Friday, June 23, 2023

Court Meeting<sup>(3)</sup>. . . . . 10:00 a.m. on Friday, June 23, 2023

Scheme EGM<sup>(3)</sup> . . . . . 11:00 a.m. on Friday, June 23, 2023  
(or as soon as practicable after the  
conclusion or adjournment of the  
Court Meeting)

Announcement of the results of the Court Meeting and  
the Scheme EGM . . . . . no later than  
7:00 p.m. on Friday, June 23, 2023

Expected latest time for trading of Yashili Shares on the Stock  
Exchange . . . . . 4:10 p.m. on Monday, June 26, 2023

Latest time for lodging transfers of Yashili Shares to qualify for  
entitlements under the Scheme . . . . . 4:30 p.m. on Thursday, June 29, 2023

Closure of the register of members of Yashili for determining the  
entitlements of the Scheme Shareholders under the Scheme <sup>(4)</sup> . . . . . from Friday, June 30, 2023  
onwards

Court hearing of the petition to sanction the Scheme . . . . . Thursday, June 29, 2023  
(Cayman Islands time)

Announcement of (1) the results of the Court hearing of the  
petition to sanction the Scheme, (2) the expected Scheme  
Effective Date and (3) the expected date of withdrawal of the  
listing of Yashili Shares on the Stock Exchange, published on  
the Stock Exchange’s website . . . . . no later than 8:30 a.m. on  
Friday, June 30, 2023

Scheme Record Date . . . . . Tuesday, July 4, 2023

Scheme Effective Date <sup>(5)</sup> . . . . . Tuesday, July 4, 2023  
(Cayman Islands time)

Announcement of (1) the Scheme Effective Date and  
(2) the withdrawal of the listing of Yashili Shares on the Stock  
Exchange, published on the Stock Exchange’s website . . . . . no later than 8:30 a.m. on  
Wednesday, July 5, 2023

Expected withdrawal of the listing of the Yashili Shares  
on the Stock Exchange becomes effective <sup>(6)</sup> . . . . . 4:00 p.m. on Wednesday, July 5, 2023

Latest time to dispatch cheques for payment of the Cancellation  
Price to the Scheme Shareholders <sup>(7)</sup> . . . . . Thursday, July 13, 2023

*Notes:*

- (1) The register of members of Yashili will be closed during such period for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the Yashili Shareholders to attend and vote at the Scheme EGM. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
- (2) The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the Scheme EGM should be completed and signed in accordance with the instructions respectively printed on them and should be lodged with the branch share registrar and transfer office of Yashili in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than the relevant times and dates stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). The **white** form of proxy in respect of the Scheme EGM will not be valid if it is not so lodged. Completion and return of a form of proxy for the Court Meeting or the Scheme EGM will not preclude a Scheme Shareholder or a Yashili Shareholder (as the case may be) from attending and voting in person at the relevant meeting if he, she or it so wishes. In such event, the returned form of proxy will be revoked by operation of law.
- (3) The Court Meeting and the Scheme EGM will be held at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong at the times and dates specified above. Please refer to the notices of the Court Meeting and the Scheme EGM set out in Appendices V and VI to this Scheme Document respectively for details.
- (4) The register of members of Yashili will be closed from Friday, June 30, 2023 onwards for the purpose of determining the Scheme Shareholders who are qualified for entitlements to the Cancellation Price under the Scheme.
- (5) The Scheme will become effective upon all the Scheme Conditions set out in "5. Conditions to the Privatization Proposal and the Scheme" in the Explanatory Memorandum in Part VIII of this Scheme Document having been fulfilled or (to the extent permitted) waived (as applicable). Yashili Shareholders will be advised by an announcement of the exact date upon which the Scheme becomes effective.
- (6) The withdrawal of the listing of the Yashili Shares on the Stock Exchange will take place following the Scheme becoming effective on the Scheme Effective Date and it is expected that the listing of the Yashili Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Wednesday, July 5, 2023. All of the Scheme Conditions will have to be fulfilled or (to the extent permitted) waived (as applicable) on or before January 31, 2024 (or such other date as the Offeror and Yashili may agree or, to the extent applicable, as permitted by the Executive and/or as the Court may direct), failing which the Privatization Proposal and the Scheme will lapse.
- (7) Cheques for the payment of the Cancellation Price under the Scheme will be dispatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of Yashili as soon as possible following the Scheme Effective Date but in any event within seven (7) business days (as defined under the Takeovers Code) following the Scheme Effective Date (i.e. on or before Thursday, July 13, 2023).



**Yashili International Holdings Ltd**

**雅士利國際控股有限公司**

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

**(Stock Code: 1230)**

*Non-executive Directors:*

Mr. Jeffrey, Minfang Lu (*Chairman*)  
Mr. Zhang Ping

*Executive Director:*

Mr. Yan Zhiyuan

*Independent non-executive Directors:*

Mr. Mok Wai Bun Ben  
Mr. Cheng Shoutai  
Mr. Lee Kong Wai Conway

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Head office and principal place of  
business in the PRC:*

11/F, East Tower,  
Poly Development Plaza  
832 Yuejiang Road Central  
Haizhu District,  
Guangzhou City Guangdong Province  
The People's Republic of China

*Principal place of business  
in Hong Kong:*

Room A, 32nd Floor  
COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

May 31, 2023

*To the Yashili Shareholders*

Dear Sir/Madam,

**(1) PROPOSED PRIVATIZATION OF YASHILI BY STAR FUTURE  
INVESTMENT COMPANY LIMITED BY WAY OF A SCHEME OF  
ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES ACT)  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF YASHILI**



**1. INTRODUCTION**

Reference is made to the Rule 3.5 Announcement dated May 6, 2022 jointly issued by Yashili, the Offeror and Mengniu pursuant to Rule 3.5 of the Takeovers Code in relation to the Proposed Transactions and the Privatization Proposal. On May 3, 2022, the Offeror requested the Yashili Board to, subject to the satisfaction of the Scheme Pre-Conditions, put forward a proposal to the Scheme Shareholders for the privatization of Yashili by way of a scheme of arrangement under section 86 of the Companies Act.

As disclosed in the announcement dated March 9, 2023 jointly published by Mengniu, the Offeror and Yashili, all of the Scheme Pre-Conditions have been satisfied on March 9, 2023.

The purpose of this Scheme Document is to provide you with further information regarding the Privatization Proposal and the Scheme and to give you notices of the Court Meeting and the Scheme EGM together with the proxy forms in relation thereto. Your attention is also drawn to (a) the letter from the Yashili Independent Board Committee set out in Part VI of this Scheme Document; (b) the letter from the Independent Financial Adviser set out in Part VII of this Scheme Document; (c) the Explanatory Memorandum as set out in Part VIII of this Scheme Document; and (d) the Scheme set out in Appendix IV to this Scheme Document.

**2. TERMS OF THE PRIVATIZATION PROPOSAL****The Scheme**

Upon the fulfillment or waiver (as applicable) of the Scheme Conditions, the Privatization Proposal will be, and the Scheme will become, effective and binding on Yashili and all of the Scheme Shareholders (irrespective of whether or not he, she or it attended or voted at the Court Meeting or the Scheme EGM).

Upon the Scheme becoming effective:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the cash payment of the Cancellation Price of HK\$1.20 per Scheme Share;
- (b) such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled will be issued to the Offeror, credited as fully paid, such that Mengniu International and the Offeror will together directly hold 100% of the issued share capital of Yashili, and:

- (i) assuming that (x) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date and (y) the Mengniu Intra-group Transfer has been completed prior to the Scheme Effective Date, Yashili will become a 99.97% indirectly owned subsidiary of Mengniu effectively;
  - (ii) assuming that (x) the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme Record Date and (y) the Mengniu Intra-group Transfer has been completed prior to the Scheme Effective Date, Yashili will become a 99.99985% indirectly owned subsidiary of Mengniu effectively;
  - (iii) assuming that (x) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date and (y) the Mengniu Intra-group Transfer has not been completed prior to the Scheme Effective Date, Yashili will become a 99.97% indirectly owned subsidiary of Mengniu effectively; or
  - (iv) assuming that (x) the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme Record Date and (y) the Mengniu Intra-group Transfer has not been completed prior to the Scheme Effective Date, Yashili will become a wholly and indirectly owned subsidiary of Mengniu; and
- (c) the withdrawal of the listing of Yashili Shares on the Stock Exchange is expected to take place as soon as practicable after the Scheme Effective Date.

In accordance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the Cancellation Price of HK\$1.20 per Scheme Share will be paid by Mengniu to the Scheme Shareholders whose names appear on the register of members of Yashili as at the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Scheme Effective Date.

**Cancellation Price**

The Cancellation Price of HK\$1.20 for each Scheme Share represents:

- (a) a premium of approximately 2.6% over the closing price of HK\$1.17 per Yashili Share as quoted on the Stock Exchange on May 25, 2023, being the Latest Practicable Date;
- (b) a premium of approximately 160.9% over the closing price of HK\$0.460 per Yashili Share as quoted on the Stock Exchange on March 11, 2022, being the Unaffected Price Date;
- (c) a premium of approximately 150.5% over the average closing price of HK\$0.479 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Unaffected Price Date;
- (d) a premium of approximately 138.5% over the average closing price of HK\$0.503 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Unaffected Price Date;
- (e) a premium of approximately 134.2% over the average closing price of HK\$0.512 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Unaffected Price Date;
- (f) a premium of approximately 127.3% over the average closing price of HK\$0.528 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Unaffected Price Date;
- (g) a premium of approximately 124.4% over the average closing price of HK\$0.535 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Unaffected Price Date;
- (h) a premium of approximately 30.4% over the closing price of HK\$0.920 per Yashili Share as quoted on the Stock Exchange on May 6, 2022, being the Yashili Last Trading Day;
- (i) a premium of approximately 38.6% over the average closing price of HK\$0.866 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Yashili Last Trading Day;

- (j) a premium of approximately 31.8% over the average closing price of HK\$0.911 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Yashili Last Trading Day;
- (k) a premium of approximately 64.4% over the average closing price of HK\$0.730 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Yashili Last Trading Day;
- (l) a premium of approximately 81.8% over the average closing price of HK\$0.660 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Yashili Last Trading Day;
- (m) a premium of approximately 89.5% over the average closing price of HK\$0.633 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Yashili Last Trading Day;
- (n) a premium of approximately 31.9% over the closing price of HK\$0.910 per Yashili Share as quoted on the Stock Exchange on March 14, 2022, being the last trading day prior to the Offer Period Commencement Date;
- (o) a discount of approximately 6.3% to Yashili's net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.28 as at December 31, 2022 derived from the FY2022 Financial Statements, which is calculated based on the audited consolidated total equity attributable to Yashili Shareholders of approximately RMB5,316 million (equivalent to approximately HK\$6,079 million based on the Reference Exchange Rate) as at December 31, 2022 and 4,745,560,296 Yashili Shares in issue as at the Latest Practicable Date;
- (p) a premium of approximately 3.3% over Yashili's adjusted net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.16 as at December 31, 2022 (as adjusted by the deduction of the Dumex China NAV), based on the Reference Exchange Rate;
- (q) a discount of approximately 11.5% to Yashili's adjusted net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.36 as at December 31, 2022 (as adjusted by the Yashili Property Valuation), based on the Reference Exchange Rate; and

- (r) a discount of approximately 2.9% to Yashili's adjusted net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.24 as at December 31, 2022 (as adjusted by the Yashili Property Valuation and the deduction of the Dumex China NAV), based on the Reference Exchange Rate.

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Yashili Shareholders and potential investors should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Cancellation Price.**

#### **Highest and lowest prices of Yashili Shares**

During the Relevant Period, the highest closing price of the Yashili Shares as quoted on the Stock Exchange was HK\$1.18 most recently on May 23, 2023, and the lowest closing price of the Yashili Shares as quoted on the Stock Exchange was HK\$0.46 on March 11, 2022.

#### **Basis for determining the Cancellation Price**

The Cancellation Price was determined with reference to the price for the 25% Yashili Acquisition after taking into account the potential benefits of the Privatization Proposal for the Mengniu Shareholders and Yashili Shareholders and other privatization transactions in Hong Kong in recent years.

#### **Dividend payment by Yashili**

As at the Latest Practicable Date, Yashili has not declared or announced any dividend, distribution or other return of capital which remains unpaid. Yashili does not intend to announce, declare and/or pay any dividend, distribution or other return of capital before (a) the Scheme Effective Date or (b) the date on which the Privatization Proposal lapses (whichever is earlier).

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Yashili Shares and the record date to be announced by the Yashili Board for determining the entitlement of such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Scheme Effective Date, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or return of capital (as the case may be) after consultation with the Executive, in which case any reference in the Rule 3.5 Announcement, this Scheme Document or any other announcement or document in relation to the Scheme to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

**3. CONFIRMATION OF FINANCIAL RESOURCES**

As of the Latest Practicable Date, the issued share capital of Yashili comprises 4,745,560,296 Yashili Shares, of which 2,422,117,713 and 1,186,390,074 Yashili Shares are held by Mengniu International and the Offeror, respectively (representing approximately 51.04% and 25.00% of the Yashili Shares, respectively), and save for the Phantom Shares, holders of which do not own any Yashili Shares nor enjoy voting rights or allotment rights of Yashili Shares by virtue of holding the Phantom Shares, Yashili does not have any other outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue. For the avoidance of doubt, the Yashili Shares held by Mengniu International and the Offeror will not form part of the Scheme Shares.

On the basis of the Cancellation Price of HK\$1.20 per Scheme Share:

- (a) assuming (i) there will be no change in the number of Yashili Shares in issue prior to the Scheme Record Date; and (ii) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date, the total number of Scheme Shares that will be subject to cancellation is 1,137,052,509 and the total cancellation consideration payable under the Privatization Proposal is approximately HK\$1,364,463,011; and
- (b) assuming (i) there will be no change in the number of Yashili Shares in issue prior to the Scheme Record Date; and (ii) all of the Mengniu International Exchange Right Recipients exercise their Mengniu International Exchange Right and become Scheme Shareholders at or prior to the Scheme Record Date, 1,214,006 Yashili Shares will be transferred by Mengniu International to the Mengniu International Exchange Right Recipients, the total number of Scheme Shares that will be subject to cancellation is 1,138,266,515 and the total cancellation consideration payable under the Privatization Proposal is approximately HK\$1,365,919,818 (being the maximum cancellation consideration).

The Offeror intends to finance the cash required for the Privatization Proposal from existing fund facilities granted to Mengniu by HSBC.

HSBC, the financial adviser to the Offeror and Mengniu, is satisfied that sufficient financial resources are available to the Offeror for satisfying the maximum cancellation consideration payable under the Privatization Proposal in accordance with its terms.

**4. CONDITIONS TO THE PRIVATIZATION PROPOSAL AND THE SCHEME**

The Privatization Proposal will be, and the Scheme will become, effective and binding on Yashili and all of the Scheme Shareholders, subject to the satisfaction or waiver (as applicable) of the following Scheme Conditions:

***Shareholders' approval***

- (a) (i) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
  - (ii) the Scheme is approved (by way of poll) by the Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
  - (iii) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares;
- (b) the passing of:
- (i) a special resolution by a majority of not less than three-fourths of the votes cast by the Yashili Shareholders present and voting in person or by proxy at the Scheme EGM to approve and give effect to any reduction of the issued share capital of Yashili associated with the cancellation of the Scheme Shares; and
  - (ii) an ordinary resolution by a simple majority of the votes cast by the Yashili Shareholders present and voting in person or by proxy at the Scheme EGM to simultaneously maintain the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of Scheme Shares to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled, for issuance to the Offeror;

***Other Cayman law requirements***

- (c) the sanction of the Scheme (with or without modifications) by the Court and, to the extent necessary, its confirmation of any reduction of the issued share capital of Yashili involved in the Scheme, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to any reduction of the issued share capital of Yashili involved in the Scheme;

***Third party consents and other governmental or regulatory approvals***

- (e) all Approvals in connection with the Privatization Proposal and the Scheme having been obtained from, given by or made with or by (as the case may be) the relevant Authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions, and all such Approvals remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by the relevant Authorities which are not expressly provided for, or are in addition to requirements expressly provided for, in any relevant laws, rules, regulations or codes in connection with the Privatization Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
- (f) all third party consents or waivers in relation to the Privatization Proposal and the Scheme which may be required under any existing contractual obligations of the Yashili Group having been obtained (and remaining in effect), where any failure to obtain such consent or waiver would have a material adverse effect on the implementation of the Privatization Proposal or the Scheme or the business, assets or liabilities of the Yashili Group;
- (g) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted or, made, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Privatization Proposal or the Scheme or the implementation thereof in accordance with their terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Privatization Proposal or the Scheme or the implementation thereof in accordance with their terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Privatization Proposal and the Scheme;



- (h) since the Rule 3.5 Announcement Date, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Yashili Group (to an extent which is material in the context of the Yashili Group taken as a whole or in the context of the Privatization Proposal); and
- (i) save in connection with the implementation of the Privatization Proposal, the listing of Yashili on the Stock Exchange not having been withdrawn, and no indication having been received from the SFC and/or the Stock Exchange, to the effect that the listing of the Yashili Shares on the Stock Exchange is or is likely to be withdrawn.

For details of the Scheme Conditions, please refer to the section headed “5. Conditions to the Privatization Proposal and the Scheme” in the Explanatory Memorandum in Part VIII of this Scheme Document.

The Scheme Conditions in paragraphs (a) to (g) (inclusive) above are not waivable. The Offeror reserves the right to waive all or any of the Scheme Conditions in paragraphs (h) to (i) (inclusive) above in whole or in part. Yashili does not have the right to waive any of the Scheme Conditions. All of the above Scheme Conditions must be fulfilled or waived, as applicable, on or before the Scheme Long Stop Date, failing which the Privatization Proposal and the Scheme will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Privatization Proposal if the circumstances which give rise to the right to invoke such Scheme Condition are of material significance to the Offeror in the context of the Privatization Proposal.

The Privatization Proposal will lapse if any of the Scheme Conditions has not been satisfied or waived, as applicable, on or before the Scheme Long Stop Date. If the Scheme is not approved or if the Privatization Proposal otherwise lapses, the listing of Yashili Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or if the Privatization Proposal otherwise lapses, neither the Offeror nor any of the Offeror Concert Parties nor any person who is subsequently acting in concert with any of them may, within 12 months thereafter, announce an offer or possible offer for Yashili Shares, except with the consent of the Executive. In accordance with the Takeovers Code, the Offeror will not put forward any proposal for the privatization of Yashili within 12 months from the date of non-approval or lapse of the Privatization Proposal.

**If the Scheme Conditions are satisfied or validly waived (as applicable), the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Scheme EGM.**

An announcement will be made by Yashili, Mengniu and the Offeror in relation to the results of the Court Meeting and the Scheme EGM on Friday, June 23, 2023 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Scheme Effective Date and the date of withdrawal of listing of Yashili Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

**Warning: The respective shareholders and potential investors of Yashili and Mengniu should be aware that the Privatization Proposal is subject to the Scheme Conditions being satisfied or waived, as applicable, and therefore the Privatization Proposal may or may not become unconditional and the Privatization Proposal and the Scheme may or may not be completed. The respective shareholders and potential investors of Yashili and Mengniu should therefore exercise caution when dealing in the securities of Yashili and Mengniu. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## **5. VOTING AT THE COURT MEETING AND THE SCHEME EGM**

All Scheme Shareholders as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting to approve the Scheme, but only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if the requirements in paragraphs (a)(ii) and (a)(iii) in the section headed “4. Conditions to the Privatization Proposal and the Scheme” above are satisfied.

All Yashili Shareholders as at the Meeting Record Date will be entitled to attend the Scheme EGM and vote on: (a) the special resolution to approve and give effect to any reduction of the issued share capital of Yashili associated with the cancellation of the Scheme Shares; and (b) the ordinary resolution to simultaneously maintain the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the cancellation of the Scheme Shares to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled, for issuance to the Offeror.

**6. INFORMATION ON YASHILI, MENGNIU, MENGNIU INTERNATIONAL AND THE OFFEROR**

Your attention is drawn to Appendix I to this Scheme Document headed “Financial Information of the Yashili Group”, and the sections headed “13. Information on Mengniu, the Offeror and Yashili” in the Explanatory Memorandum in Part VIII of this Scheme Document.

**7. SHAREHOLDING STRUCTURE OF YASHILI**

Your attention is drawn to the section headed “9. Shareholding Structure of Yashili” in the Explanatory Memorandum in Part VIII of this Scheme Document.

**8. THE OFFEROR’S INTENTIONS IN RELATION TO THE YASHILI GROUP**

Your attention is drawn to the section headed “11. The Offeror’s intention in relation to the Yashili Group” in the Explanatory Memorandum in Part VIII of this Scheme Document.

The Yashili Board is pleased to note that the Offeror intends to continue the existing business of the Yashili Group after the implementation of the Privatization Proposal, and the Offeror does not have plans to make any material changes to the business of the Yashili Group (including any redeployment of any fixed asset of the Yashili Group) or the continued employment of the employees of the Yashili Group.

**9. YASHILI INDEPENDENT BOARD COMMITTEE**

The Yashili Independent Board Committee, comprising all independent non-executive Yashili Directors who are not interested in the Privatization Proposal, namely, Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway, has been established by the Yashili Board to advise and make recommendations to the Disinterested Scheme Shareholders as to: (a) whether the terms of the Privatization Proposal and the Scheme are fair and reasonable; and (b) whether to vote in favour of the resolution for the approval of the Scheme at the Court Meeting and the resolutions necessary to implement the Privatization Proposal and the Scheme at the Scheme EGM, taking into account the advice of the Independent Financial Adviser.

In view of the positions assumed by the respective non-executive Directors below, all non-executive Directors are considered as Offeror Concert Parties. Therefore, they are not considered as independent for the purpose of giving advice or recommendations to the Disinterested Scheme Shareholders and have been precluded from the Yashili Independent Board Committee:

- (a) Mr. Jeffrey, Minfang Lu is an executive director and the chief executive officer of Mengniu; and
- (b) Mr. Zhang Ping is an executive director and the chief financial officer of Mengniu.

The full text of the letter from the Yashili Independent Board Committee in relation to recommendation with respect to the Privatization Proposal and the Scheme is set out in Part VI of this Scheme Document.

#### **10. INDEPENDENT FINANCIAL ADVISER**

Somerley Capital Limited has been appointed as the Independent Financial Adviser by Yashili with the approval of the Yashili Independent Board Committee in accordance with the Listing Rules and the Takeovers Code, to advise the Yashili Independent Board Committee in respect of the Privatization Proposal and the Scheme.

The full text of the letter from the Independent Financial Adviser in relation to recommendations with respect to the Privatization Proposal and the Scheme is set out in Part VII of this Scheme Document.

#### **11. COURT MEETING AND THE SCHEME EGM**

In accordance with the directions of the Court, the Court Meeting will be held at 10:00 a.m. (Hong Kong time) on Friday, June 23, 2023 at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong. The Scheme EGM will be held at the same place and on the same date at 11:00 a.m. (or as soon as practicable after the conclusion or adjournment of the Court Meeting).

For the purpose of exercising your right to vote at the Court Meeting and/or the Scheme EGM, you are requested to read carefully the section headed “19. Court Meeting and the Scheme EGM” in the Explanatory Memorandum in Part VIII of this Scheme Document, the section headed “Actions to be Taken” in Part III of this Scheme Document, the notice of the Court Meeting in Appendix V to this Scheme Document and the notice of Scheme EGM in Appendix VI to this Scheme Document.

**12. WITHDRAWAL OF LISTING OF THE YASHILI SHARES ON THE STOCK EXCHANGE**

Upon the Scheme being effective, all of the Scheme Shares will be cancelled (with the equivalent number of new Yashili Shares being issued, credited as fully paid, to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

Yashili will make an application to the Stock Exchange for the withdrawal of the listing of the Yashili Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from 4:00 p.m. on Wednesday, July 5, 2023.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Yashili Shares on the Stock Exchange and on which the Scheme and the withdrawal of listing of the Yashili Shares will become effective. A detailed expected timetable of the Scheme is included in Part IV of this Scheme Document.

**13. IF THE SCHEME IS NOT APPROVED OR IF THE PRIVATIZATION PROPOSAL OTHERWISE LAPSES**

Your attention is drawn to the section headed “12. If the Scheme is not approved or if the Privatization Proposal otherwise lapses” in the Explanatory Memorandum in Part VIII of this Scheme Document.

The Privatization Proposal will lapse if any of the Scheme Conditions has not been satisfied or waived, as applicable, on or before the Scheme Long Stop Date. If the Scheme is not approved or if the Privatization Proposal otherwise lapses:

- (a) the Scheme will not be implemented and no Scheme Shares will be cancelled; and
- (b) the listing of Yashili Shares on the Stock Exchange will not be withdrawn, and Yashili will continue to have sufficient public float as required under the Listing Rules.

If the Scheme is not approved or if the Privatization Proposal otherwise lapses, neither the Offeror nor any of the Offeror Concert Parties nor any person who is subsequently acting in concert with any of them may, within 12 months thereafter, announce an offer or possible offer for Yashili Shares, except with the consent of the Executive. In accordance with the Takeovers Code, the Offeror will not put forward any proposal for the privatization of Yashili within 12 months from the date of non-approval or lapse of the Privatization Proposal.

Based on the information that is publicly available to Yashili and within the knowledge of the Yashili Directors as of the Latest Practicable Date, the minimum public float requirement applicable to Yashili of 23.42% pursuant to a waiver granted to Yashili by the Stock Exchange for the period commencing from the Yashili Initial Listing Date is satisfied as of the Latest Practicable Date.

#### **14. REGISTRATION AND PAYMENT**

Your attention is drawn to the section headed “17. Registration and Payment” in the Explanatory Memorandum in Part VIII of this Scheme Document.

#### **15. ACTIONS TO BE TAKEN**

Your attention is drawn to the section headed “Actions to be Taken” in Part III of this Scheme Document.

#### **16. COSTS OF THE SCHEME**

Your attention is drawn to the section headed “22. Costs of the Scheme” in the Explanatory Memorandum in Part VIII of this Scheme Document.

#### **17. TAXATION AND INDEPENDENT ADVICE**

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Privatization Proposal or the Scheme. It is emphasized that none of Mengniu, the Offeror, other Offeror Concert Parties, Yashili or any of their respective directors, officers, associates or professional advisers or any other person involved in the Privatization Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation or other effects on, or liabilities of, any persons as a result of their acceptance or rejection, or the implementation of, of the Privatization Proposal.

Accordingly, you are urged to read the section headed “18. Taxation and Independent Advice” in the Explanatory Memorandum in Part VIII of this Scheme Document.

#### **18. RECOMMENDATION**

Your attention is drawn to the “Letter from the Independent Financial Adviser” set out in Part VII of this Scheme Document which contains its advice to the Yashili Independent Board Committee and Disinterested Scheme Shareholders in respect of the Privatization Proposal. Your

attention is also drawn to the “Letter from the Yashili Independent Board Committee” set out in Part VI of this Scheme Document which contains its recommendation to the Disinterested Scheme Shareholders in respect of the Privatization Proposal.

In the “Letter from the Independent Financial Adviser” set out in Part VII of this Scheme Document, the Independent Financial Adviser states that it considers the terms of the Privatization Proposal and the Scheme to be fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, it recommends the Yashili Independent Board Committee to advise the Disinterested Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the resolutions necessary to implement the Privatization Proposal and the Scheme at the Scheme EGM.

The Yashili Independent Board Committee, having considered the terms of the Privatization Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Privatization Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, the Yashili Independent Board Committee recommends the Disinterested Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the resolutions necessary to implement the Privatization Proposal and the Scheme at the Scheme EGM.

## **19. FURTHER INFORMATION**

You are urged to read carefully the letters from the Yashili Independent Board Committee and from the Independent Financial Adviser, as set out in Parts VI and VII of this Scheme Document, respectively, the Explanatory Memorandum set out in Part VIII of this Scheme Document, the Appendices to this Scheme Document (including but not limited to the Scheme as set out in Appendix IV to this Scheme Document, the notice of the Court Meeting as set out in Appendix V to this Scheme Document, and the notice of the Scheme EGM as set out in Appendix VI to this Scheme Document). In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the Scheme EGM are enclosed with copies of this Scheme Document sent to the Registered Owners.

Yours faithfully,

For and on behalf of the Yashili Board

**Yashili International Holdings Ltd**

雅士利國際控股有限公司

**Yan Zhiyuan**

*Chief Executive Officer and Executive Director*



**Yashili International Holdings Ltd**

**雅士利國際控股有限公司**

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

**(Stock Code: 1230)**

May 31, 2023

*To the Disinterested Scheme Shareholders*

Dear Sirs or Madams,

**(1) PROPOSED PRIVATIZATION OF YASHILI BY STAR FUTURE  
INVESTMENT COMPANY LIMITED BY WAY OF A SCHEME OF  
ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES ACT)  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF YASHILI**

Reference is made to the scheme document dated May 31, 2023 jointly issued by Mengniu, the Offeror and Yashili in relation to the Privatization Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Yashili Board to form the Yashili Independent Board Committee to make recommendations and advise the Disinterested Scheme Shareholders in respect of the Privatization Proposal and the Scheme, details of which are set out in the “Letter from the Yashili Board” and the Explanatory Memorandum in Parts V and VIII of the Scheme Document respectively.

Somerley Capital Limited, the Independent Financial Adviser, has been appointed with our approval to advise us in connection with the Privatization Proposal and the Scheme. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent Financial Adviser” in Part VII of the Scheme Document.



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## **PART VI LETTER FROM THE YASHILI INDEPENDENT BOARD COMMITTEE**

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Having considered the terms of the Privatization Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, the Yashili Independent Board Committee considers that the terms of the Privatization Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

Accordingly, the Yashili Independent Board Committee recommends:

- (a) at the Court Meeting, the Disinterested Scheme Shareholders to vote in favor of the Scheme; and
- (b) at the Scheme EGM, the Yashili Shareholders to vote in favor of:
  - (i) the special resolution to approve and give effect to any reduction of the issued share capital of Yashili associated with the cancellation of the Scheme Shares; and
  - (ii) the ordinary resolution to simultaneously maintain the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the cancellation of the Scheme Shares to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled, for issuance to the Offeror.

The Yashili Independent Board Committee draws the attention of the Disinterested Scheme Shareholders to (a) the “Letter from the Yashili Board” set out in the Scheme Document; (b) the “Letter from the Independent Financial Adviser”, which sets out the factors and reasons taken into account in arriving at its recommendations to the Yashili Independent Board Committee, set out in the Scheme Document; and (c) the Explanatory Memorandum set out in the Scheme Document, and reminds the Disinterested Scheme Shareholders to read such information carefully.

Yours faithfully,

**Yashili Independent Board Committee**

**Mr. Mok Wai Bun Ben**

*Independent Non-Executive Director*

**Mr. Cheng Shoutai**

*Independent Non-Executive Director*

**Mr. Lee Kong Wai Conway**

*Independent Non-Executive Director*

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**PART VII LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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*Set out below is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Yashili Independent Board Committee, which has been prepared for the purpose of inclusion in this Scheme Document.*



**SOMERLEY CAPITAL LIMITED**

20th Floor

China Building

29 Queen's Road Central

Hong Kong

May 31, 2023

*To: the Yashili Independent Board Committee*

Dear Sirs,

**(1) PROPOSED PRIVATIZATION OF YASHILI BY STAR FUTURE  
INVESTMENT COMPANY LIMITED BY WAY OF A SCHEME OF  
ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES ACT)  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF YASHILI**

**INTRODUCTION**

We refer to our appointment as independent financial adviser to advise the Yashili Independent Board Committee in connection with the Privatization Proposal and the Scheme, details of which are set out in the Scheme Document dated May 31, 2023, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

Mengniu, the Offeror and Yashili jointly announced that, on May 3, 2022, the Offeror requested the Yashili Board, subject to the satisfaction of the Scheme Pre-Conditions, to put forward the Privatization Proposal to the Scheme Shareholders for the privatization of Yashili by way of the Scheme under Section 86 of the Companies Act. With effect from March 9, 2023, all the Scheme Pre-Conditions have been satisfied and the Privatization Proposal is being made by the Offeror.

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## PART VII LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Upon fulfilment or waiver (as applicable) of the Scheme Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive the Cancellation Price of HK\$1.20 for each Scheme Share. The listing of the Yashili Shares is expected to be withdrawn from the Stock Exchange as soon as practicable after the Scheme Effective Date.

The Yashili Independent Board Committee, comprising all independent non-executive Yashili Directors, namely Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway, has been established to advise the Disinterested Scheme Shareholders as to: (i) whether the terms of the Privatization Proposal and the Scheme are fair and reasonable; and (ii) whether to vote in favour of the resolution for the approval of the Scheme at the Court Meeting and the resolutions necessary to implement the Privatization Proposal and the Scheme at the Scheme EGM. The Yashili Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Yashili Independent Board Committee on these matters.

During the past two years, Somerley Capital Limited has acted as the independent financial adviser to (a) independent board committee and independent shareholders of Yashili in relation to (i) the special deals and connected transaction as detailed in Yashili's circular dated July 29, 2022; and (ii) certain continuing connected transactions (details of which are set out in the circulars of Yashili dated November 10, 2021, November 15, 2021 and June 8, 2022); (b) independent board committee and independent shareholders of Mengniu in relation to certain connected transactions (details of which are set out in the circular of Mengniu dated September 24, 2021); (c) independent board committee and independent shareholders of China Modern Dairy Holdings Ltd. (stock code: 1117) ("**Modern Dairy**"), a company of which Mengniu is a substantial shareholder (as defined in the Listing Rules), in relation to, among others, certain connected transactions (details of which are set out in the circular of Modern Dairy dated May 16, 2022); (d) independent board committee and independent shareholders of China Shengmu Organic Milk Limited (stock code: 1432) ("**China Shengmu**"), a company of which Mengniu is a substantial shareholder, in relation to certain continuing connected transactions as detailed in the circular of China Shengmu dated December 12, 2022; and (e) independent board committee and independent shareholders of COFCO Joycome Foods Limited (stock code: 1610) ("**COFCO Joycome**"), a company owned as to over 20% by a substantial shareholder of Mengniu, in relation to, among others, connected transaction and whitewash waiver as detailed in COFCO Joycome's circular dated February 17, 2023. Save as disclosed above, we are not associated with Yashili, the Mengniu Group or their respective substantial shareholders (if applicable) or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Privatization Proposal. Apart from normal professional fees paid or payable to us in connection with this appointment, and save for our past engagements disclosed above, no arrangement exists

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## **PART VII LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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whereby we will receive any fees or benefits from Yashili, the Mengniu Group or their respective substantial shareholders (if applicable) or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Scheme Document; (ii) the 2021 Annual Report and the 2022 Annual Report; (iii) the unaudited management accounts of Yashili for the three months ended March 31, 2023; (iv) the announcements published by Yashili on the website of the Stock Exchange since January 1, 2021; and (v) the material change statement set out in Appendix I to the Scheme Document.

We have relied on the information and facts supplied by Yashili and the opinions expressed by the executive Yashili Director and the management of Yashili, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the Latest Practicable Date. The Scheme Shareholders will be informed as soon as possible if we become aware of any material change to such representations/our opinion up to the Scheme Effective Date. We have sought and received confirmation from the executive Yashili Director that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Yashili Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Scheme Shareholders of acceptance or non-acceptance of the Scheme, as the case may be, since these are particular to their individual circumstances. In particular, the Scheme Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

### **PRINCIPAL TERMS OF THE PRIVATIZATION PROPOSAL AND THE SCHEME**

The terms set out below are summarised from the “Letter from the Yashili Board” and the Explanatory Memorandum contained in the Scheme Document. The Scheme Shareholders are encouraged to read the Scheme Document and its appendices in full.

**Cancellation Price for the Scheme Shares**

Upon the Scheme becoming effective, all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the cash payment of the Cancellation Price of HK\$1.20 per Scheme Share. **The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.**

As set out in “Letter from the Yashili Board” contained in the Scheme Document, the Cancellation Price was determined with reference to the price for the 25% Yashili Acquisition after taking into account the potential benefits of the Privatization Proposal and other privatization transactions in Hong Kong in recent years.

Yashili confirms that, as at the Latest Practicable Date, it has not declared or announced any dividend, distribution or other return of capital which remains unpaid. Yashili does not intend to announce, declare and/or pay any dividend, distribution or other return of capital before (a) the Scheme Effective Date or (b) the date on which the Privatization Proposal lapses (whichever is earlier).

Upon the Scheme becoming effective, such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled will be issued to the Offeror, credited as fully paid, such that Mengniu International and the Offeror will together directly hold 100% of the issued share capital of Yashili and Yashili will become an indirectly owned subsidiary of Mengniu. The withdrawal of the listing of the Yashili Shares on the Stock Exchange is expected to take place as soon as practicable after the Scheme Effective Date. Further details of the terms of the Privatization Proposal are set out in the section headed “Terms of the Privatization Proposal” in the “Letter from the Yashili Board” and the Explanatory Memorandum contained in the Scheme Document.

**Conditions to the Privatization Proposal and the Scheme**

The implementation of the Privatization Proposal (including the effectiveness of the Scheme) will be subject to the satisfaction or waiver (as applicable) of the Scheme Conditions on or before the Scheme Long Stop Date. Details of the Scheme Conditions are set out in the section headed “Conditions to the Privatization Proposal and the Scheme” in the Explanatory Memorandum. The main Scheme Conditions include:

- (a) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

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## PART VII LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) the Scheme is approved (by way of poll) by the Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting;
- (c) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares;
- (d) the passing of (1) a special resolution by a majority of not less than three-fourths of the votes cast by the Yashili Shareholders present and voting in person or by proxy at the Scheme EGM to approve and give effect to any reduction of the issued share capital of Yashili associated with the cancellation of the Scheme Shares; and (2) an ordinary resolution by a simple majority of the votes cast by the Yashili Shareholders present and voting in person or by proxy at the Scheme EGM to simultaneously maintain the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of Scheme Shares to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled for issuance to the Offeror; and
- (e) the sanction of the Scheme (with or without modifications) by the Court and, to the extent necessary, its confirmation of any reduction of the issued share capital of Yashili involved in the Scheme, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Court for registration.

All of the Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the Scheme Long Stop Date, failing which the Privatization Proposal and the Scheme will lapse.

Upon the fulfilment or waiver (as applicable) of the Scheme Conditions, the Privatization Proposal will be, and the Scheme will become, effective and binding on Yashili and all of the Scheme Shareholders (irrespective of whether or not they attended or voted at the Court Meeting or the Scheme EGM).

**The respective Yashili Shareholders and potential investors of Yashili should be aware that the Privatization Proposal is subject to the Scheme Conditions being satisfied or waived, as applicable, and therefore the Privatization Proposal may or may not become unconditional and the Privatization Proposal and the Scheme may or may not be completed. The Yashili**

**Shareholders and potential investors of Yashili should therefore exercise caution when dealing in the securities of Yashili. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

### **1. Background to and reasons for the Privatization Proposal**

On March 9, 2023, the 25% Yashili Acquisition was completed. As set out in the Rule 3.5 Announcement, notwithstanding that the 25% Yashili Acquisition did not trigger a mandatory offer obligation on the part of Mengniu under the Takeovers Code, having considered the factors detailed in the section headed “3.9 Reasons for and Benefits of the Privatization Proposal” of the Rule 3.5 Announcement, including but not limited to the unsatisfactory share performance of Yashili, the low trading volume of the Yashili Shares and the competitive domestic infant milk powder market, Mengniu proposed that upon completion of the 25% Yashili Acquisition it will, through the Offeror, a wholly-owned subsidiary of Mengniu as of the Latest Practicable Date, initiate the Privatization Proposal and provide an opportunity for the Scheme Shareholders to monetize their investments in Yashili at the same price that was paid to Danone Asia Baby Nutrition Pte. Ltd. under the 25% Yashili Acquisition.

It is further stated in the abovementioned section in the Rule 3.5 Announcement and the Explanatory Memorandum of the Scheme Document that, as disclosed in the 2021 Annual Report, the decreasing birth rate in China in recent years, which has been in further decline due to the COVID-19 pandemic, has led to a decelerated growth in the total consumption of infant formula milk powder. Compliance with the New National Standards and the recipe re-registration requirement has also accelerated and intensified the market competition on quality of products. These developments have impacted the operating performance of Yashili. The gross profit margin of Yashili for the financial year ended December 31, 2022 was 28.1%, the lowest profit margin for a full financial year recorded since the financial year ended December 31, 2010, during which Yashili Shares were first traded on the Stock Exchange. In light of the challenging market environment and significant market uncertainty, the Privatization Proposal could provide an opportunity for the Scheme Shareholders to realize their investment in Yashili for cash at a favourable premium of approximately 160.9% over the closing price of HK\$0.460 per Yashili Share as quoted on the Stock Exchange on the Unaffected Price Date. As mentioned above, there is no obligation on the part of Mengniu to make any offer for the Yashili Shares following completion of the 25% Yashili Acquisition, as such, the Privatization Proposal is a one-off opportunity for the Scheme Shareholders to monetize their investments at an attractive premium to the market price.

**2. Information and prospects of the Yashili Group*****(i) Information of Yashili and the Yashili Group***

Yashili, a subsidiary of Mengniu, is listed on the Main Board of the Stock Exchange and an exempted company incorporated in the Cayman Islands with limited liability. It is an investment holding company, which, along with other members of the Yashili Group, is primarily engaged in the manufacturing and sale of dairy and nourishment products. It operates in the following segments: (a) production and sale of milk powder products (including the development, manufacture and sale of milk powder products in the PRC and overseas); (b) production and sale of other milk powder products (including the production and sale of base powder); (c) sale of dissolvable products (including the development, manufacture and sale of soymilk powder, rice flour and cereal products); and (d) other operations (mainly the sale of surplus raw materials and consigned processing operation).

***(ii) Financial information of the Yashili Group***

On March 9, 2023, all the Scheme Pre-Conditions of the Privatization Proposal were satisfied. As one of such Scheme Pre-Conditions, the Yashili Group completed the disposal of its 100% equity interest in Dumex China on March 2, 2023 and Dumex China is no longer a subsidiary of Yashili. In the audited financial statements for the year ended December 31, 2022 published by Yashili, assets and liabilities of Dumex China are classified as ‘held for sale’ in the statement of financial position of the Yashili Group as detailed below. Further details of the disposal of Dumex China are set out in the Special Deals Circular.

***(a) Financial performance***

The following is a summary of the financial results of the Yashili Group for the three years ended December 31, 2020, 2021 and 2022 (all 2020, 2021 and 2022 annual results having been extracted from the 2021 Annual Report and 2022 Annual Report).



**PART VII LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

	<b>For the year ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	(Audited)	(Audited)	(Audited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	3,738,212	4,434,700	3,649,206
Gross Profit	1,050,345	1,460,021	1,333,833
Profit/(loss) for the year	(230,717)	(81,363)	101,081
Earnings/(loss) per Yashili Share			
<i>(in RMB cents)</i>			
— Basic	(4.9)	(1.7)	2.1
— Diluted	(4.9)	(1.7)	2.1

(1) Revenue

Breakdowns of the Yashili Group's revenue by segments and geographical markets are as follows:

	<b>For the year ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	(Audited)	(Audited)	(Audited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b><i>Segments</i></b>			
— Milk powder products	2,968,217	3,650,352	2,975,566
— Other milk powder products	511,750	438,353	427,384
— Dissolvable products	195,004	221,221	166,412
— Others	63,241	124,774	79,844
	<b>3,738,212</b>	<b>4,434,700</b>	<b>3,649,206</b>
<b><i>Geographical markets</i></b>			
— Mainland China	3,429,359	4,106,570	3,151,244
— Overseas	308,853	328,130	497,962
	<b>3,738,212</b>	<b>4,434,700</b>	<b>3,649,206</b>

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## **PART VII LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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As disclosed in the 2022 Annual Report and 2021 Annual Report, revenue derived from the milk powder products (including other milk powder products) accounted for over 90% of the Yashili Group's total revenue for each of the years ended December 31, 2020, 2021 and 2022. Revenue generated in the Mainland China contributed to approximately 86.4%, 92.6% and 91.7% of the Yashili Group's total revenue in the year of 2020, 2021 and 2022, respectively.

For the year ended December 31, 2021, Yashili recorded a total revenue of approximately RMB4,434.7 million, representing an increase of approximately RMB785.5 million or 21.5% as compared to approximately RMB3,649.2 million for the year ended December 31, 2020. Such increase in total revenue was primarily due to (1) the significant increase in revenue from adult milk powder; and (2) enhanced product awareness attributable to media promotion in multiple dimensions and communication through diversified scenarios.

For the year ended December 31, 2022, Yashili recorded a total revenue of approximately RMB3,738.2 million, representing a decrease of approximately RMB696.5 million or 15.7% as compared to approximately RMB4,434.7 million for the year ended December 31, 2021, which was mainly due to the downward trend in revenue as a result of the pandemic, fierce market competition and decline in birth rate.

### (2) Gross profit

For the year ended December 31, 2021, Yashili recorded a gross profit of approximately RMB1,460.0 million, representing an increase of approximately 9.5% as compared to approximately RMB1,333.8 million for the year ended December 31, 2020. For the year ended December 31, 2022, Yashili recorded a gross profit of approximately RMB1,050.3 million, representing a decrease of approximately 28.1% as compared to approximately RMB1,460.0 million for the year ended December 31, 2021. The gross profit margin for the year ended December 31, 2020, 2021 and 2022 were approximately 36.6%, 32.9% and 28.1%, respectively. The decrease in gross profit margin of 4.8 percentage points in 2022 compared to previous year was a result of an increase in the cost of raw materials and a higher sales proportion of whole milk powder, which had a lower gross profit margin.

### (3) Profit/(loss) for the year

For the year ended December 31, 2021, Yashili recorded a loss for the year attributable to owners of the parent of approximately RMB81.4 million, whereas a profit for the year attributable to owners of the parent of approximately RMB101.1 million was recorded for the year ended December 31, 2020. Such change was mainly due to the provision for the impairment on the Dumex trademark of RMB200 million in 2021. For the year ended December 31, 2022, Yashili recorded a loss for the year attributable to owners of the parent of approximately RMB230.7

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**PART VII LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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million, representing an increase in loss of approximately 183.6% as compared to the loss of approximately RMB81.4 million for the year ended December 31, 2021, which was mainly due to fierce market competition, decline in revenue and increased costs for seizing market share.

(4) Earnings/(loss) per Yashili Share

Both basic and diluted earnings per Yashili Share for the year ended December 31, 2020 were approximately RMB2.1 cents. For the year ended December 31, 2021 and 2022, both basic and diluted loss per Yashili Share were approximately RMB1.7 cents and RMB4.9 cents respectively. The movements in the earnings/loss per Yashili Share generally followed the movements of the Yashili Group's financial results.

(5) Dividends

No final dividend was declared for the three years ended December 31, 2020, 2021 and 2022.

(b) *Financial position*

Set out below is a summary of the financial position of the Yashili Group as at December 31, 2020, 2021 and 2022 extracted from the 2021 Annual Report and 2022 Annual Report.

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	(Audited)	(Audited)	(Audited)
	(RMB'000)	(RMB'000)	(RMB'000)
Total assets	7,087,922	7,279,333	7,791,978
Total liabilities	1,771,914	1,751,274	2,068,861
Net asset value	5,316,008	5,528,059	5,723,117

As at December 31, 2022, the Yashili Group's total assets were approximately RMB7,087.9 million. Assets of the Yashili Group mainly include, among others, (a) cash and bank balances of approximately RMB1,791.0 million; (b) property, plant and equipment of approximately RMB1,417.3 million; and (c) inventories of approximately RMB1,074.4 million. As at December 31, 2022, the Yashili Group recorded total liabilities amounted to approximately RMB1,771.9 million, which mainly consisted of, among others, (a) trade and bills payables of approximately RMB627.3 million; (b) interest-bearing bank and other borrowings of approximately RMB578.7 million; and (c) other payables and accruals of approximately RMB509.1 million.

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## PART VII LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at December 31, 2022, the Yashili Group had interest-bearing bank and other borrowings of approximately RMB578.7 million. Taking into account the cash and bank balances amounting to approximately RMB1,791.0 million, the Yashili Group had a net cash position of approximately RMB1,212.3 million as at December 31, 2022. The gearing ratio of the Yashili Group, measured by total interest-bearing bank and other borrowings divided by the total equity, was approximately 10.89%, 5.80% and 6.39% as at December 31, 2022, 2021 and 2020 respectively. The change in the gearing ratio in 2022 was mainly due to increase in interest-bearing bank borrowings of the Yashili Group to meet operational needs. As set out in Appendix I to the Scheme Document, as at March 31, 2023, the Yashili Group had bank loans and lease liabilities of approximately RMB791.2 million and RMB8.0 million respectively.

The Yashili Group's consolidated net asset value as at December 31, 2020, 2021 and 2022 amounted to approximately RMB5,723.1 million, RMB5,528.1 million and RMB5,316.0 million, with a net asset value per Yashili Share of approximately RMB1.21, RMB1.16 and RMB1.12 respectively (equivalent to approximately HK\$1.38, HK\$1.33 and HK\$1.28, respectively, at the Reference Exchange Rate).

As set out in the 2022 Annual Report, as at December 31, 2022, the total assets of Dumex China were classified as assets held for sale amounting to approximately RMB521.7 million, whilst total liabilities of Dumex China were classified as liabilities held for sale amounting to approximately RMB23.9 million. Based on the above figures, the net asset value of Dumex China amounted to approximately RMB497.8 million as at December 31, 2022 (i.e. the “**Dumex China NAV**”), and the net asset value of the Yashili Group after deducting the Dumex China NAV amounted to approximately RMB4,818.2 million as at December 31, 2022 (i.e. approximately RMB1.02 per Yashili Share, or equivalent to approximately HK\$1.16 per Yashili Share at the Reference Exchange Rate). As set out in Appendix I to the Scheme Document, the net asset value of Yashili as adjusted by the Yashili Property Valuation amounts to HK\$1.36 per Yashili Share, and the net asset value of Yashili as adjusted by the Yashili Property Valuation and the deduction of the Dumex China NAV amounts to HK\$1.24 per Yashili Share, based on the Reference Exchange Rate.

### *(iii) Prospects of the Yashili Group*

As set out in paragraph headed “Financial information of the Yashili Group” above, for the year ended December 31, 2022, the Yashili Group's total revenue decreased by approximately 15.7% as compared to that in 2021, and a loss of approximately RMB230.7 million was recorded. Such decrease in revenue was primarily due to the impact of the pandemic on spending power, fierce market competition and the decline in birth rate.

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The demographic trend in the PRC shows a declining birth rate and aging population. According to the Chinese Statistical Yearbook 2022 (中國統計年鑒2022) published by the National Bureau of Statistics of China (國家統計局), the national birth rate of the PRC has declined for five consecutive years from approximately 12.6% in 2017 to approximately 7.5% in 2021. The infant formula milk powder market has become increasingly competitive as producers compete for existing volume in an increasingly saturated market, driving companies to increase spending on product quality. According to the market data provided by management of Yashili, in 2022, the infant milk formula market in the PRC was led by brands of three domestic market players (in aggregate accounted for approximately 35.2% market share in terms of retail sales value), and brands of two international market players (in aggregate accounted for approximately 18.8% market share in terms of retail sales value). Yashili ranked 16th among the market players in terms of market share based on retail sales value in 2022. After decades of development, the domestic infant formula milk powder industry has entered a mature stage focused on quality improvement. The new national standards for infant formula food issued by the PRC government in March 2021 set higher requirements for raw materials, supply chain and research and development of infant formula milk powder enterprises. The subsequent recipe re-registration requirement imposed by the authorities after the publication of those new national standards for infant formula food added the pressure to increase product quality. The aging population has driven companies to accelerate the development of the adult milk powder market. According to Yashili's 2022 interim report, the Yashili Group utilised new functional raw materials to develop high-end adult functional milk powder to address the consumption hotspot of adult milk powder. Multiple Mengniu Yourui milk powders for the middle-aged and the elderly have been innovated and upgraded. It also developed and launched the Tihuli formula milk powder, which helps strengthen immunity. In addition, the Yashili Group has been developing a variety of innovative adult milk powders based on its insights into the needs of consumers and channel terminals. Although the sales proportion of adult milk powder in the Yashili Group's revenue has been increasing, such segment generates a lower gross profit margin (due to a lower selling price per unit) compared with that of infant milk formula.

The market share of domestic milk powder brands continued to expand in recent years as the trend of consuming domestic products surged among customers. However, with the relaxation of the restrictive measures across different countries in the post-pandemic period, the importing of foreign formula brands to the PRC may resume, and the competition in the domestic milk powder market is expected to accelerate. The Yashili Group has been, among others, exploring the third-tier and fourth-tier cities in the PRC, where the birth rate of new-born babies increased, and developing the adult milk powder market. As set out in Yashili's 2022 interim report, the Yashili Group insisted on opening channels in the third-tier and fourth-tier markets as the working direction of the entire business team and focused on raising the sales rate of stores in those markets.

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In view of the above factors, especially the general declining birth rate in the PRC and the keen competition in the infant formula milk powder market, the management of Yashili considers, and we concur, while the pandemic situation has normalised since pandemic prevention and control policies were adjusted at the end of 2022, creating conditions for a recovery in the consumer market, the milk powder industry in the PRC still faces challenges and uncertainties caused by factors discussed above.

### **3. Information on the Offeror and the Offeror's intention regarding the Yashili Group**

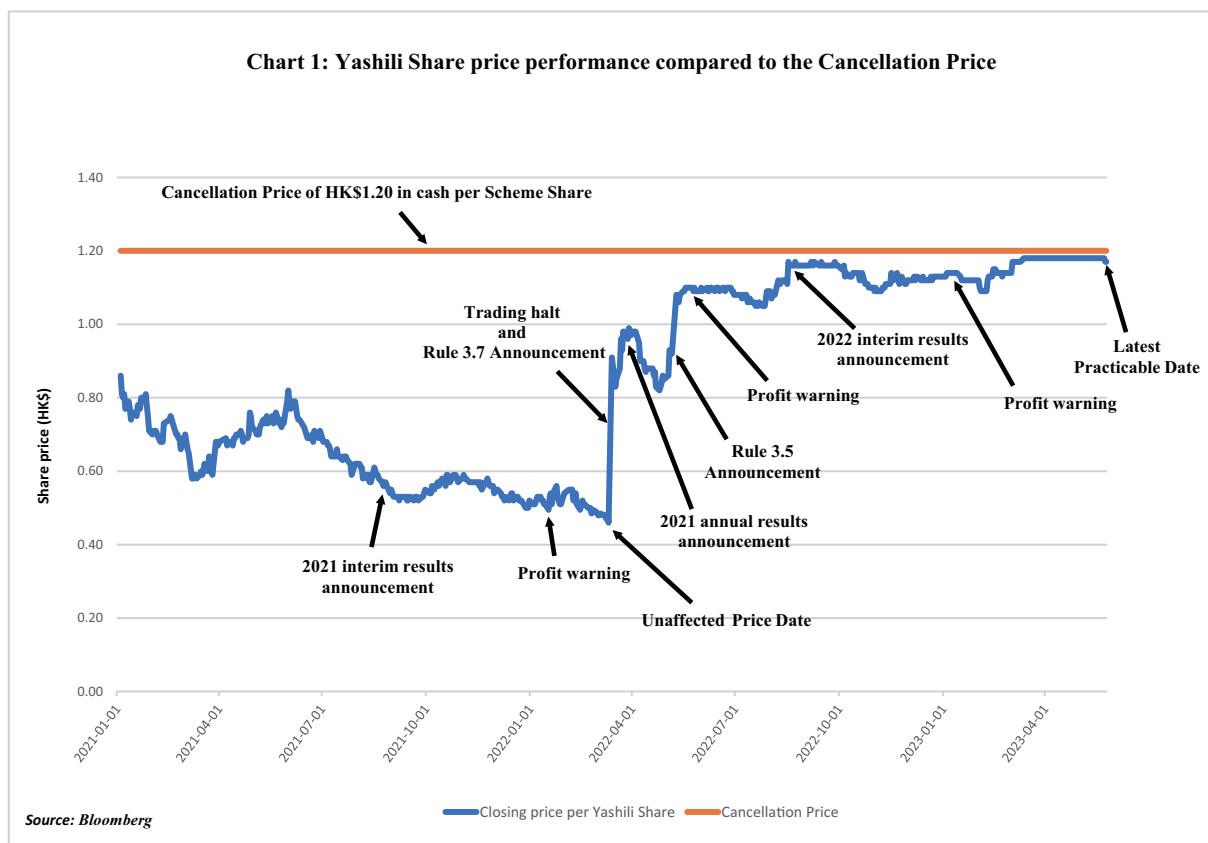
The Offeror is a company incorporated in Hong Kong with limited liability and a wholly and directly owned subsidiary of Mengniu as of the Latest Practicable Date. It is principally engaged in investment holding.

As set out in the section headed "The Offeror's intention in relation to the Yashili Group" in the Explanatory Memorandum contained in the Scheme Document, as at the Latest Practicable Date, it is the intention of the Offeror for the Yashili Group to continue to carry on its existing business after the implementation of the Privatization Proposal, and the Offeror does not have plans to make any material changes to (a) the business of the Yashili Group (including any redeployment of any fixed asset of the Yashili Group); or (b) the continued employment of the employees of the Yashili Group.

### **4. Analysis of price performance, historical P/B multiples and trading liquidity of the Yashili Shares**

#### ***(i) Historical price performance of the Yashili Shares***

The chart below illustrates the daily closing price per Yashili Share from January 1, 2021 up to and including the Latest Practicable Date (the "**Review Period**"), and compares the Yashili Share price performance with the Cancellation Price of HK\$1.20 per Scheme Share. We consider that the Review Period, covering more than two years, to be appropriate and sufficient to demonstrate the price performance of Yashili Share for the purpose of our analysis.



As illustrated in Chart 1 above, all trading days during the Review Period saw a closing Yashili Share price below the Cancellation Price of HK\$1.20 per Scheme Share. The closing Yashili Share price fluctuated in the range of HK\$0.58 to HK\$0.86 per Yashili Share from January 2021 to May 2021 and reached HK\$0.82 per Yashili Share on June 1, 2021. Since then, the Yashili Share price showed a downward trend in general and hit the lowest point during the Review Period on March 11, 2022 of HK\$0.46 per Yashili Share (i.e. the Unaffected Price Date).

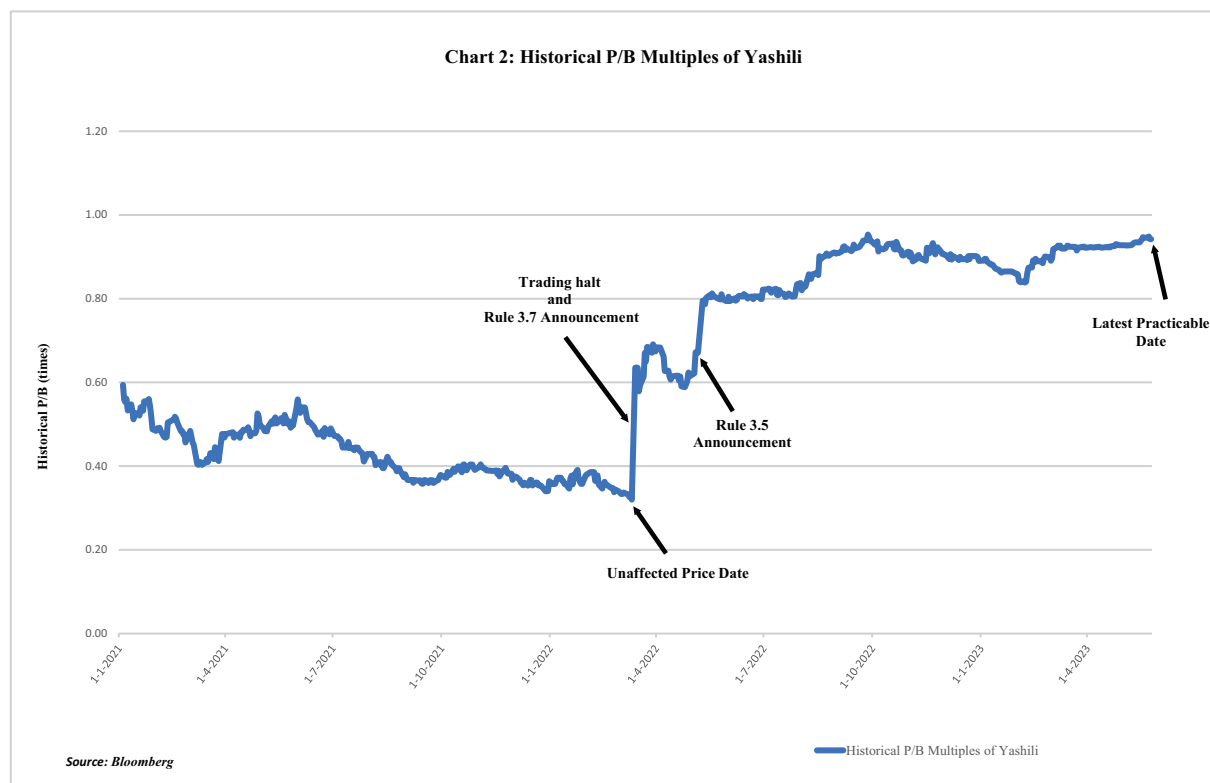
On March 14, 2022, the Yashili Share price surged by approximately 97.8% from HK\$0.46 to HK\$0.91 per Yashili Share and the trading in Yashili Shares on the Stock Exchange was halted with effect from 10:33 a.m. on the same day. Yashili published the Rule 3.7 Announcement in relation to, among others, the Privatization Proposal on March 16, 2022 (after trading hours). Trading in the Yashili Shares resumed from 9:00 a.m. on March 17, 2022 and the closing Yashili Share price was slightly down at HK\$0.83 per Yashili Share on the same day.

The Yashili Share price closed at HK\$0.82 to HK\$0.99 per Yashili Share from March 18, 2022 to May 6, 2022. On May 6, 2022 (after trading hours), Yashili published the Rule 3.5 Announcement and the closing Yashili Share price rose by approximately 17.4% to HK\$1.08 per Yashili Share on the next trading day, i.e. on May 10, 2022. Since then and up to the Latest Practicable Date, the Yashili Shares have closed between HK\$1.05 to HK\$1.18, suggesting that the

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Yashili Share price is being principally determined by the Cancellation Price. The Yashili Shares closed at HK\$1.17 as at the Latest Practicable Date. The Cancellation Price of HK\$1.20 per Scheme Share represents a premium of approximately 2.6% over the closing Yashili Share price on the Latest Practicable Date.

### (ii) Historical P/B multiples of Yashili



Yashili Shares have traded at persistent discount to the Yashili Group’s net asset value per Yashili Share during the Review Period, with historical price-to-book multiples (the “**P/B Multiple(s)**”) ranging from approximately 0.32 times to approximately 0.95 times. In particular, the Yashili Shares traded at a substantial discount to the Yashili Group’s net asset value per Yashili Share from January 1, 2021 up to and including the Unaffected Price Date, with historical P/B Multiples of Yashili ranged from approximately 0.32 times to approximately 0.59 times. The increase in Yashili’s P/B Multiples after the Unaffected Price Date is largely due to the surge in Yashili Share price on March 14, 2022 and the publication of the Rule 3.5 Announcement as discussed in the paragraph above. After the Unaffected Price Date and up to the Latest Practicable Date, the historical P/B Multiples of Yashili ranged from approximately 0.58 times to approximately 0.95 times.



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*(iii) Trading liquidity of the Yashili Shares*

Set out in the table below are the monthly total trading volumes of the Yashili Shares and the percentages of such monthly total trading volumes to the total issued share capital and the public float of Yashili during the Review Period.

	<b>Monthly total trading volume of the Yashili Shares</b> <i>(Note 1)</i>	<b>Percentage of the monthly total trading volume of the Yashili Shares to the total issued share capital of Yashili</b> <i>(Note 2)</i>	<b>Percentage of the monthly total trading volume of the Yashili Shares to the public float of Yashili</b> <i>(Note 2 &amp; 3)</i>
<b>2021</b>			
January	96,858,000	2.04%	8.52%
February	33,174,001	0.70%	2.92%
March	64,913,300	1.37%	5.71%
April	30,362,000	0.64%	2.67%
May	28,514,278	0.60%	2.51%
June	65,240,606	1.37%	5.74%
July	16,152,000	0.34%	1.42%
August	16,860,000	0.36%	1.48%
September	40,608,000	0.86%	3.57%
October	9,231,000	0.19%	0.81%
November	10,358,518	0.22%	0.91%
December	6,260,738	0.13%	0.55%
<b>2022</b>			
January	11,456,000	0.24%	1.01%
February	13,492,000	0.28%	1.19%
March	208,267,715	4.39%	18.32%
April	50,179,000	1.06%	4.41%
May	232,496,000	4.90%	20.45%
June	57,821,664	1.22%	5.09%
July	62,331,707	1.31%	5.48%
August	89,634,993	1.89%	7.88%
September	68,339,066	1.44%	6.01%

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	<b>Monthly total trading volume of the Yashili Shares</b> <i>(Note 1)</i>	<b>Percentage of the monthly total trading volume of the Yashili Shares to the total issued share capital of Yashili</b> <i>(Note 2)</i>	<b>Percentage of the monthly total trading volume of the Yashili Shares to the public float of Yashili</b> <i>(Note 2 &amp; 3)</i>
October	19,739,000	0.42%	1.74%
November	6,500,000	0.14%	0.57%
December	4,916,000	0.10%	0.43%
<b>2023</b>			
January	31,855,007	0.67%	2.80%
February	14,509,993	0.31%	1.28%
March	27,424,000	0.58%	2.41%
April	8,217,000	0.17%	0.72%
From 1 May 2023 to the Latest Practicable Date	26,344,000	0.56%	2.32%

*Notes:*

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the Yashili Shares divided by the total issued share capital of Yashili or the total number of the Yashili Shares in public float at the end of each month (or as at the Latest Practicable Date for May 2023).
3. The total number of Yashili Shares in public float is calculated based on the total number of Yashili Shares held by the public (within the meaning of the Listing Rules) at the end of each month (or as at the Latest Practicable Date for May 2023).

As shown in the table above, before the trading halt of the Yashili Shares and the publication of the Rule 3.7 Announcement in relation to, among others, the Privatization Proposal in March 2022 (the “**Pre-3.7 Announcement Period**”), trading volume of the Yashili Shares was low in general (except for January 2021), with the percentages of the monthly total trading volume of the Yashili Shares to the total issued share capital of Yashili within the range of approximately 0.13% to 1.37%, and the percentages of the monthly total trading volume of the Yashili Shares to the public float of Yashili within the range of approximately 0.55% to 5.74%. In January 2021, Yashili recorded a higher trading volume of approximately 2.04% of the total issued shares and

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approximately 8.52% of the public float of Yashili, as compared to other months in the Pre-3.7 Announcement Period. We are advised by the management of Yashili that they are not aware of any reasons for the higher trading volume in January 2021.

On March 14, 2022, the trading volume of the Yashili Shares surged along with the Yashili Share price. Trading in the Yashili Shares on the Stock Exchange was halted with effect from 10:33 a.m. on March 14, 2022. After the publication of the Rule 3.7 Announcement on March 16, 2022 (after trading hours) and the trading resumption in the Yashili Shares from 9:00 a.m. on March 17, 2022, the trading of the Yashili Shares remained active in March 2022. The total trading volume of the Yashili Shares increased to approximately 208 million Yashili Shares in March 2022, representing approximately 4.39% of the total issued share capital and approximately 18.32% of the public float of Yashili. This increase in the trading volume of the Yashili Shares is, in our view, attributable to the initial positive market reaction to the Privatization Proposal.

On the next trading day after the publication of the Rule 3.5 Announcement after trading hours on May 6, 2022, i.e. on May 10, 2022, the trading volume of the Yashili Shares was again heightened. The total trading volume of the Yashili Shares further increased to approximately 232 million Yashili Shares in May 2022, representing approximately 4.90% of the total issued share capital and approximately 20.45% of the public float of Yashili.

After May 2022 to the Latest Practicable Date, except for August and September 2022 where the monthly trading volume of the Yashili Shares represented approximately 1.89% and 1.44% of the total issued share capital respectively; and approximately 7.88% and 6.01% of the public float of Yashili respectively, the monthly trading volume of the Yashili Shares was within the range of approximately 0.10% to 1.31% of the total number of issued shares and approximately 0.43% to 5.48% of the public float of Yashili. We are advised by the management of Yashili that they are not aware of any reasons for the higher trading volume in August and September 2022.

Given the generally low trading volume except for certain specific periods as discussed above, if Scheme Shareholders (especially those with relatively sizeable shareholdings) wish to sell a significant number of the Yashili Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Yashili Shares. The higher level of trading volume following the publication of the Rule 3.7 Announcement and the Rule 3.5 Announcement may not, in our view, be sustained if the Privatization Proposal lapses. Therefore, the Privatization Proposal provides an opportunity for the Scheme Shareholders to realise their investments in Yashili for cash at a premium if they so wish.

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**(iv) Cancellation Price comparisons**

The Cancellation Price of HK\$1.20 per Scheme Share represents:

- (a) a premium of approximately 2.6% over the closing price of HK\$1.170 per Yashili Share as quoted on the Stock Exchange on May 25, 2023, being the Latest Practicable Date;
- (b) a premium of approximately 160.9% over the closing price of HK\$0.460 per Yashili Share as quoted on the Stock Exchange on March 11, 2022, being the Unaffected Price Date;
- (c) a premium of approximately 150.5% over the average closing price of HK\$0.479 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Unaffected Price Date;
- (d) a premium of approximately 138.5% over the average closing price of approximately HK\$0.503 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Unaffected Price Date;
- (e) a premium of approximately 134.2% over the average closing price of approximately HK\$0.512 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Unaffected Price Date;
- (f) a premium of approximately 127.3% over the average closing price of approximately HK\$0.528 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Unaffected Price Date;
- (g) a premium of approximately 124.4% over the average closing price of approximately HK\$0.535 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Unaffected Price Date;
- (h) a premium of approximately 30.4% over the closing price of HK\$0.920 per Yashili Share as quoted on the Stock Exchange on May 6, 2022, being the Yashili Last Trading Day;
- (i) a premium of approximately 38.6% over the average closing price of HK\$0.866 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Yashili Last Trading Day;

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- (j) a premium of approximately 31.8% over the average closing price of approximately HK\$0.911 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Yashili Last Trading Day;
- (k) a premium of approximately 64.4% over the average closing price of approximately HK\$0.730 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Yashili Last Trading Day;
- (l) a premium of approximately 81.8% over the average closing price of HK\$0.660 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Yashili Last Trading Day;
- (m) a premium of approximately 89.5% over the average closing price of approximately HK\$0.633 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Yashili Last Trading Day;
- (n) a premium of approximately 31.9% over the closing price of HK\$0.910 per Yashili Share as quoted on the Stock Exchange on March 14, 2022, being the last trading day prior to the Offer Period Commencement Date;
- (o) a discount of approximately 6.3% to Yashili's net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.28 as at December 31, 2022 derived from the FY2022 Financial Statements, which is calculated based on the audited consolidated total equity attributable to Yashili Shareholders of approximately RMB5,316 million (equivalent to approximately HK\$6,079 million based on the Reference Exchange Rate) as at December 31, 2022 and 4,745,560,296 Yashili Shares in issue as at the Latest Practicable Date;
- (p) a premium of approximately 3.3% over Yashili's adjusted net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.16 as at December 31, 2022 (as adjusted by the deduction of the Dumex China NAV), based on the Reference Exchange Rate;
- (q) a discount of approximately 11.5% to Yashili's adjusted net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.36 as at December 31, 2022 (as adjusted by the Yashili Property Valuation), based on the Reference Exchange Rate; and

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- (r) a discount of approximately 2.9% to Yashili's adjusted net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.24 as at December 31, 2022 (as adjusted by the Yashili Property Valuation and the deduction of the Dumex China NAV), based on the Reference Exchange Rate.

Further details on the calculations of the Yashili's adjusted net asset value per Yashili Share as set out in (p), (q) and (r) above are contained in Appendix I to the Scheme Document.

In summary, the Cancellation Price of HK\$1.20 for each Scheme Share represents (a) premium in a range of approximately 124.4% to 160.9% over the closing Yashili Share prices for different periods up to and including the Unaffected Price Date; and (b) premium in a range of approximately 30.4% to 89.5% over the closing Yashili Share prices for different periods up to and including the Yashili Last Trading Day. The price of the Yashili Shares closed at HK\$1.17 on the Latest Practicable Date, the Cancellation Price represents a premium of approximately 2.6% over it.

The Cancellation Price represents a discount of approximately 2.9% to Yashili's adjusted net asset value per Yashili Share as adjusted by the Yashili Property Valuation and the deduction of the Dumex China NAV, which we consider relevant to the Disinterested Scheme Shareholders. Such discount represents an implied P/B Multiple of Yashili of approximately 0.97 times (on adjusted basis). As illustrated in Chart 2 in the sub-section headed "Analysis of price performance, historical P/B multiples and trading liquidity of the Yashili Shares" of this letter above, the price of Yashili Share has traded at substantial and persistent discounts to the Yashili Group's net asset value per Yashili Share since January 1, 2021 up to and including the Unaffected Price Date, with historical P/B Multiples ranging from approximately 0.32 times to approximately 0.59 times. After the Unaffected Price Date up to and including the Latest Practicable Date, Yashili's historical P/B Multiples ranged from approximately 0.58 times to approximately 0.95 times. The recent increase in the P/B Multiples of Yashili was largely due to the increase in Yashili Share price on March 14, 2022 and the publication of the Rule 3.5 Announcement on May 6, 2022.

In light of the above, notwithstanding the Cancellation Price represents a discount to the net asset value per Yashili Share set out above, given the implied P/B Multiple of Yashili of approximately 0.97 times (on adjusted basis) is significant higher than the historical P/B Multiples of Yashili since January 1, 2021 up to and including the Unaffected Price Date, and the Cancellation Price represents significant premia in a range of approximately 124.4% to 160.9% over the closing Yashili Share prices for different periods up to and including the Unaffected Price Date, we consider the Cancellation Price, on balance, is favourable to the Disinterested Scheme Shareholders.

**5. Comparable companies**

As stated in the paragraph headed “Information of Yashili and the Yashili Group” in this letter above, the Yashili Group is primarily engaged in the manufacturing and sale of dairy and nourishment products, including milk powder products and base powder. Accordingly, we have conducted a search on Bloomberg and identified three comparable companies listed on the Main Board of the Stock Exchange (the “**Comparable Companies**”), which, based on their latest published annual reports available as at the Latest Practicable Date, are principally engaged in milk powder business in the PRC (i.e. representing the largest operating segment with at least 40% of revenue derived from this segment). We are of the view that the selection of the Comparable Companies based on the abovementioned selection criteria is fair and representative. The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to Yashili based on the above criteria.

Yashili recorded a loss for the year ended December 31, 2022, therefore analysis on the price-to-earnings multiple is not applicable. To assess the fairness and reasonableness of the Cancellation Price, we have adopted the price-to-sales multiple(s) (the “**P/S Multiple(s)**”) and the P/B Multiple(s).

<b>Comparable Companies</b>	<b>Stock code</b>	<b>Closing market capitalisation as at the Latest Practicable Date</b>	<b>Historical P/S Multiple</b>	<b>Historical P/B Multiple</b>
		<i>(Approximate HK\$' million) (Note 1)</i>	<i>(Approximate times) (Note 1)</i>	<i>(Approximate times) (Note 1)</i>
China Feihe Limited	6186	42,620.8	1.76	1.58
Ausnutria Dairy Corporation Ltd	1717	6,210.4	0.72	0.99
Health & Happiness (H&H) International Holdings Limited	1112	6,752.6	0.47	0.99
		<b>Maximum</b>	1.76	1.58
		<b>Minimum</b>	0.47	0.99
		<b>Mean</b>	0.98	1.19
		<b>Median</b>	0.72	0.99
<b>Yashili (on adjusted basis) at the Cancellation Price</b>		5,694.7 <i>(Note 2)</i>	1.35 <i>(Note 3)</i>	0.97 <i>(Note 5)</i>
<b>Yashili at the Cancellation Price (for reference only)</b>		5,694.7 <i>(Note 2)</i>	1.33 <i>(Note 4)</i>	0.94 <i>(Note 6)</i>

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*Notes:*

1. Data of the Comparable Companies are sourced from Bloomberg as at the Latest Practicable Date.
2. The implied market value of Yashili (the “**Implied Market Value**”) of approximately HK\$5,694.7 million is calculated by multiplying the Cancellation Price of HK\$1.20 per Scheme Share and the number of issued shares of 4,745,560,296 Yashili Shares as at the Latest Practicable Date.
3. The implied P/S Multiple of Yashili (on adjusted basis) is calculated based on the Implied Market Value of approximately HK\$5,694.7 million and the adjusted revenue of Yashili for the year ended December 31, 2022 of approximately RMB3,699.8 million (equivalent to approximately HK\$4,231.1 million at the Reference Exchange Rate) (derived by subtracting the revenue of Dumex China for the year ended December 31, 2022 of approximately RMB38.4 million, which was provided by the management of Yashili, from the revenue of the Yashili Group for the year ended December 31, 2022 of approximately RMB3,738.2 million as extracted from the 2022 Annual Report).
4. The implied P/S Multiple of Yashili is calculated based on the Implied Market Value of approximately HK\$5,694.7 million and the revenue of the Yashili Group for the year ended December 31, 2022 of approximately RMB3,738.2 million (equivalent to approximately HK\$4,275.0 million at the Reference Exchange Rate) as extracted from the 2022 Annual Report.
5. The implied P/B Multiple of Yashili (on adjusted basis) is calculated based on (i) the Implied Market Value of approximately HK\$5,694.7 million; and (ii) the adjusted net asset value of the Yashili Group of approximately RMB5,126.2 million (equivalent to approximately HK\$5,862.3 million at the Reference Exchange Rate) as at December 31, 2022. The adjusted net asset value of the Yashili Group is calculated based on (a) the net asset value of the Yashili Group after deducting the Dumex China NAV amounted to approximately RMB4,818.2 million, plus (b) the appreciation of the land use rights and properties held by the Yashili Group (excluding any property interests held by Dumex China) of approximately RMB409.0 million as extracted from Appendix I to the Scheme Document, and minus (c) the indicative deferred tax liabilities of approximately RMB101.0 million as extracted from Appendix I to the Scheme Document.
6. The implied P/B Multiple of Yashili is calculated based on the Implied Market Value of approximately HK\$5,694.7 million; and the net asset value of the Yashili Group of approximately RMB5,316.0 million (equivalent to approximately HK\$6,079.4 million at the Reference Exchange Rate) as at December 31, 2022 as extracted from the 2022 Annual Report.

As set out in the table above, the implied P/S Multiple of Yashili (on adjusted basis) at the Cancellation Price of approximately 1.35 times is above the mean and median of the historical P/S Multiples of the Comparable Companies, which we consider favourable to the Disinterested Scheme Shareholders.

As shown in the table above, the Cancellation Price of HK\$1.20 per Scheme Share represents a P/B Multiple of Yashili (on adjusted basis) of approximately 0.97 times (the “**Adjusted P/B Multiple**”). The Adjusted P/B Multiple is slightly below the range of the historical P/B Multiples of the Comparable Companies. Nevertheless, it is significantly above the historical P/B Multiples of Yashili since January 1, 2021 up to and including the Unaffected Price Date. As illustrated in Chart 2 in the paragraph headed “Historical P/B multiples of Yashili” in this letter above, during the Review Period, Yashili Share’s price has traded at substantial and persistent discounts to the



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Yashili Group's net asset value per Yashili Share since January 1, 2021 up to and including the Unaffected Price Date, with historical P/B Multiples ranging from approximately 0.32 times to approximately 0.59 times. After the Unaffected Price Date up to and including the Latest Practicable Date, Yashili's historical P/B Multiples ranged from approximately 0.58 times to approximately 0.95 times. The recent increase in the P/B Multiples of Yashili was largely due to the increase in Yashili Share price on March 14, 2022 and the publication of the Rule 3.5 Announcement on May 6, 2022.

### 6. Privatization precedents

We have compared the Privatization Proposal to privatization proposals of companies listed on the Main Board of the Stock Exchange announced since January 1, 2021 up to the Latest Practicable Date, which have been approved by disinterested shareholders or the required acceptance level was achieved, and involve a cash consideration (excluding combined consideration of cash and shares) (the "**Privatization Precedents**"). We consider that the analysis of the Privatization Precedents announced since January 1, 2021 up to the Latest Practicable Date, covering more than two years, to be appropriate and sufficient to demonstrate the pricing of recent successful privatizations of Main Board listed companies in Hong Kong under recent market sentiment. The Privatization Precedents represent an exhaustive list of privatization proposals we were able to identify from the Stock Exchange's website satisfying the above selection criteria. The table below illustrates the premia/discounts represented by the cancellation/offer price over the respective last trading day/last full trading day/unaffected price date and respective last 10, 30, 60, 90 and 120 trading days average share prices in respect of such Privatization Precedents:

Date of the first Rule 3.5/3.7 announcement	Company (stock code)	Last trading day/last full trading day/unaffected price date <i>(Note 1)</i>	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over				
			10 trading days <i>(Notes 1 and 2)</i>	30 trading days <i>(Notes 1 and 2)</i>	60 trading days <i>(Notes 1 and 2)</i>	90 trading days <i>(Notes 1 and 2)</i>	120 trading days <i>(Notes 1 and 2)</i>
21-Feb-23	Jiangnan Group Limited (1366)	12.7%	89.9%	101.4%	99.6%	90.2%	82.6%
24-Oct-22	Kingston Financial Group Limited (1031)	47.8%	47.6%	39.4%	33.3%	29.9%	26.6%
8-Aug-22	EVOC Intelligent Technology Company Limited (2308)	15.1%	44.6%	44.6%	50.9%	52.2%	51.2%
5-Aug-22	Lifestyle International Holdings Limited (1212)	62.3%	81.9%	70.1%	58.7%	48.1%	38.7%

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Date of the first Rule 3.5/3.7 announcement	Company (stock code)	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over					
		Last trading day/last full trading day/unaffected price date	10 trading days	30 trading days	60 trading days	90 trading days	120 trading days
		(Note 1)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)	(Notes 1 and 2)
9-Jun-22	China VAST Industrial Urban Development Company Limited (6166)	30.4%	28.8%	31.4%	36.9%	42.1%	45.8%
2-Jun-22	Xiamen International Port Co., Ltd (3378)	55.2%	100.9%	134.2%	150.0%	155.7%	158.6%
24-Jan-22	Guodian Technology & Environment Group Corporation Limited (1296)	48.0%	103.8%	93.1%	107.7%	93.9%	99.1%
14-Jan-22	AKM Industrial Co., Ltd. (1639)	14.5%	31.4%	25.8%	29.0%	40.7%	50.9%
17-Dec-21	Lanzhou Zhuangyuan Pasture Co., Ltd (1533)	25.2%	47.4%	43.5%	54.3%	58.8%	62.3%
1-Dec-21	Razer Inc. (1337)	55.8%	61.4%	67.9%	59.3%	51.6%	39.7%
24-Nov-21	Shanghai Jin Jiang Capital Company Limited (2006)	56.6%	67.6%	77.1%	85.6%	86.8%	82.7%
15-Oct-21	Yorkey Optical International (Cayman) Ltd. (2788)	75.3%	101.0%	102.6%	101.0%	101.0%	101.4%
8-Oct-21	Dragon Crown Group Holdings Limited (935)	8.5%	7.5%	9.4%	20.8%	28.3%	34.7%
30-Sep-21	C.P. POKPHAND CO. LTD. (43)	19.8%	17.4%	27.8%	33.7%	30.7%	27.0%
6-Sep-21	Hop Hing Group Holdings Limited (47)	73.9%	76.2%	70.9%	62.9%	61.0%	62.9%
12-Aug-21	Good Friend International Holdings Inc. (2398)	50.0%	73.8%	61.6%	49.0%	38.9%	33.5%
27-Jul-21	Nature Home Holding Company Limited (2083)	39.3%	38.0%	31.6%	30.9%	38.4%	45.2%
9-Jul-21	Beijing Capital Land Ltd. (2868)	62.8%	77.2%	127.4%	149.9%	142.5%	132.3%
25-Jun-21	Bestway Global Holding Inc (3358)	27.0%	32.7%	47.1%	62.8%	72.1%	84.3%
18-May-21	Chong Hing Bank Limited (1111)	97.0%	102.5%	107.4%	109.9%	113.5%	114.9%
20-Apr-21	Inner Mongolia Energy Engineering Co Ltd (1649)	51.3%	55.2%	41.0%	30.1%	25.5%	28.6%

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Date of the first Rule announcement	Company (stock code)	Last trading day/last full trading day/unaffected price date (Note 1)	Premium/(discount) of cancellation/offer price over/to closing share price/average share price on/over				
			10 trading days (Notes 1 and 2)	30 trading days (Notes 1 and 2)	60 trading days (Notes 1 and 2)	90 trading days (Notes 1 and 2)	120 trading days (Notes 1 and 2)
			3.5/3.7	3.5/3.7	3.5/3.7	3.5/3.7	3.5/3.7
28-Feb-21	Xiezhong International Holdings Ltd (3663)	17.6%	21.2%	25.9%	38.7%	41.8%	36.0%
25-Feb-21	Sichuan Languang Juston Services Group Co., Ltd (2606)	39.4%	46.6%	46.8%	59.6%	57.4%	45.0%
5-Feb-21	Zhejiang Cangnan Instrument Group Company Ltd (1743)	15.2%	10.6%	18.0%	25.2%	4.4%	(15.4)%
22-Jan-21	Zhuhai Holdings Investment Group Ltd (908)	37.8%	37.5%	52.4%	56.1%	57.4%	63.6%
21-Jan-21	Polytech Asset Holdings Ltd (208)	61.3%	63.2%	72.5%	94.2%	104.1%	105.8%
20-Jan-21	Zhejiang New Century Hotel Management Co., Ltd (1158)	24.7%	22.3%	20.8%	19.7%	20.3%	22.8%
17-Jan-21	HKC (Holdings) Limited (190)	120.4%	123.0%	119.5%	109.3%	100.3%	93.7%
13-Jan-21	China Machinery Engineering Corporation (1829)	45.1%	93.7%	118.5%	126.9%	126.3%	118.0%
	<b>Maximum</b>	<b>120.4%</b>	<b>123.0%</b>	<b>134.2%</b>	<b>150.0%</b>	<b>155.7%</b>	<b>158.6%</b>
	<b>Minimum</b>	<b>8.5%</b>	<b>7.5%</b>	<b>9.4%</b>	<b>19.7%</b>	<b>4.4%</b>	<b>(15.4)%</b>
	<b>Mean</b>	<b>44.5%</b>	<b>58.8%</b>	<b>63.1%</b>	<b>67.1%</b>	<b>66.0%</b>	<b>64.6%</b>
	<b>Median</b>	<b>45.1%</b>	<b>55.2%</b>	<b>52.4%</b>	<b>58.7%</b>	<b>57.4%</b>	<b>51.2%</b>
	<b>Yashili (on/over the Unaffected Price Date)</b>	<b>160.9%</b>	<b>150.5%</b>	<b>138.5%</b>	<b>134.2%</b>	<b>127.3%</b>	<b>124.4%</b>
	<b>Yashili (on/over the Yashili Last Trading Day)</b>	<b>30.4%</b>	<b>38.6%</b>	<b>31.8%</b>	<b>64.4%</b>	<b>81.8%</b>	<b>89.5%</b>

Source: Bloomberg and the Stock Exchange website

Notes:

- (1) Subject to rounding differences.
- (2) Up to and including the last trading day/last full trading day/unaffected price date of the shares prior to the publication of the first announcement pursuant to Rule 3.5 or Rule 3.7 of the Takeovers Code (where applicable).

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## **PART VII LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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The terms of the Privatization Precedents set out above, in our view, serve to demonstrate the premium over market prices needed in Hong Kong to secure a successful privatization, i.e. how much the shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges. Analysis of privatization precedents is widely used in assessing the pricing of privatization proposals in Hong Kong. Although the method of privatization, the business nature and scale of each company vary and some aspects of pricing are likely to be industry-specific, this analysis, in our view, demonstrates the premia needed for recent successful privatizations of Main Board listed companies in Hong Kong (with cash cancellation consideration offered both in the Privatization Proposal and the Privatization Precedents which were approved). Accordingly, we regard the Privatization Precedents as relevant benchmarks and one of the factors we consider significant in assessing the fairness and reasonableness of the Cancellation Price.

Based on the table above, the premia represented by the Cancellation Price of HK\$1.20 per Scheme Share over the closing Yashili Share prices on the Unaffected Price Date and for the last 10, 30, 60, 90 and 120 trading days up to and including the Unaffected Price Date are all above the corresponding mean and median of premia of the Privatization Precedents. The premia represented by the Cancellation Price per Scheme Share over the closing Yashili Share prices on the Yashili Last Trading Day and for the last 10, 30 and 60 trading days up to and including the Yashili Last Trading Day are within the corresponding range of premia of the Privatization Precedents, while the premia represented by the Cancellation Price per Scheme Share over the closing Yashili Share prices for a longer period (i.e. last 90 and 120 trading days) were above the mean and median of premia of the Privatization Precedents. We consider the premia represented by the Cancellation Price, especially over the closing Yashili Share prices on, and for different periods up to and including, the Unaffected Price Date, are favourable to the Disinterested Scheme Shareholders.

### **DISCUSSION**

#### **(i) Financial performance and challenges faced by the Yashili Group**

The Yashili Group is primarily engaged in the manufacturing and sale of dairy and nourishment products. During 2022, the Yashili Group's total revenue decreased by approximately 15.7% as compared to that in 2021 and it recorded a loss attributable to owners of the parent of approximately RMB230.7 million, primarily due to fierce market competition, decline in revenue and increased costs for seizing market share. The demographic trend in the PRC shows a declining birth rate and aging population. The infant formula milk powder market has become increasingly competitive due to factors discussed in the paragraph headed "Prospects of the Yashili Group" of this letter above. The aging population is driving companies to accelerate the development of the

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## PART VII LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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adult milk powder market. Although the sales proportion of adult milk powder in the Yashili Group's revenue has been increasing, such segment generates a lower gross profit margin compared with that of infant milk formula products.

In view of the above factors, especially the declining birth rate in the PRC and the keen competition in the infant formula milk powder market, the management of Yashili considers that, notwithstanding the pandemic situation has normalized since pandemic prevention and control policies were adjusted at the end of 2022, creating conditions for a recovery in the consumer market, the milk powder industry in the PRC still faces challenges and uncertainties as discussed above. The Privatization Proposal provides, in our view, an opportunity to the Disinterested Scheme Shareholders to realise their investment in Yashili through receiving a fixed cash consideration at a favourable premium over historical Yashili Share prices (as discussed in sub-paragraph (ii) below).

### (ii) Cancellation Price comparisons with historical Yashili Share prices and net asset value of Yashili

Under the Scheme, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.20 in cash for each Scheme Share cancelled. **The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.** All trading days during the Review Period saw a closing Yashili Share price below the Cancellation Price of HK\$1.20 per Scheme Share. The Cancellation Price represents (a) premium in a range of approximately 124.4% to 160.9% over the closing Yashili Share prices for different periods up to and including the Unaffected Price Date; and (b) premium in a range of approximately 30.4% to 89.5% over the closing Yashili Share prices for different periods up to and including the Yashili Last Trading Day. The Yashili Shares closed at HK\$1.17 per Yashili Share on the Latest Practicable Date, which we consider it reflects that the market price is being principally determined by the Cancellation Price and may not remain at the current level if the Scheme fails.

The Cancellation Price represents a discount of approximately 2.9% to Yashili's adjusted net asset value per Yashili Share as adjusted by the Yashili Property Valuation and the deduction of the Dumex China NAV, which we consider relevant to the Disinterested Scheme Shareholders. Such discount represents an implied P/B Multiple of Yashili of approximately 0.97 times (on adjusted basis).

Notwithstanding the Cancellation Price represents a discount to the net asset value per Yashili Share set out above, given the implied P/B Multiple of Yashili of approximately 0.97 times (on adjusted basis) is significantly higher than the historical P/B Multiples of Yashili since January 1, 2021 up to and including the Unaffected Price Date ranging from approximately 0.32 times to approximately 0.59 times, and the Cancellation Price represents significant premia in a range of approximately 124.4% to 160.9% over the closing Yashili Share prices for different periods up to and including the Unaffected Price Date, we consider the Cancellation Price is, on balance, favourable to the Disinterested Scheme Shareholders.

**(iii) Trading volume is low in general**

Since the beginning of the Review Period and before the trading halt of the Yashili Shares and the publication of the Rule 3.7 Announcement in relation to, among others, the Privatization Proposal in March 2022, the trading volume of the Yashili Shares was in general low, with the percentages of the monthly total trading volume of the Yashili Shares to the total issued share capital of Yashili within the range of approximately 0.13% to 1.37%, and the percentages of the monthly total trading volume of the Yashili Shares to the public float of Yashili within the range of approximately 0.55% to 5.74% (except for the month of January 2021). As discussed in the sub-section headed “Analysis of price performance, historical P/B multiples and trading liquidity of the Yashili Shares” of this letter above, the increase in the trading volume of the Yashili Shares in certain periods (e.g. following publication of the Rule 3.7 Announcement) is in our view attributable to the positive market reaction to the Privatization Proposal.

In the absence of the Privatization Proposal, a downward pressure on the market price of the Yashili Shares may be exerted if Scheme Shareholders (especially those with relatively sizeable shareholdings) wish to sell a significant number of Yashili Shares within a short period in the market. The higher level of trading volume following the publication of the Rule 3.7 Announcement and the Rule 3.5 Announcement may not, in our view, be sustained if the Privatization Proposal lapses. Therefore, the Privatization Proposal provides an opportunity for the Scheme Shareholders to realise their investments in Yashili for cash at a premium if they so wish.

**(iv) Comparable company analysis**

The implied P/S Multiple of Yashili (on adjusted basis) at the Cancellation Price of approximately 1.35 times is above the mean and median of the historical P/S Multiples of the Comparable Companies. As discussed in the sub-section headed “Comparable Companies” of this letter above, the Adjusted P/B Multiple is slightly below the range of the historical P/B Multiples of the Comparable Companies. Nevertheless, it is significantly above the historical P/B Multiples of Yashili since January 1, 2021 up to and including the Unaffected Price Date.

**(v) Privatization precedents**

As set out in the sub-section headed “Privatization precedents” of this letter above, the premium represented by the Cancellation Price of HK\$1.20 per Scheme Share over the closing Yashili Share prices on the Unaffected Price Date and for the last 10, 30, 60, 90 and 120 trading days up to and including the Unaffected Price Date are all above the corresponding mean and median of premia of the Privatization Precedents. The premia represented by the Cancellation Price per Scheme Share over the closing Yashili Share prices on the Yashili Last Trading Day and for the last 10, 30 and 60 trading days up to and including the Yashili Last Trading Day are within the corresponding range of premia of the Privatization Precedents, while the premia represented by the Cancellation Price per Scheme Share over the closing Yashili Share prices for a longer period (i.e. last 90 and 120 trading days) were above the mean and median of premia of the Privatization Precedents. We consider the premia represented by the Cancellation Price, especially over the closing Yashili Share prices on, and for different periods up to and including the Unaffected Price Date, are favourable to the Disinterested Scheme Shareholders.

In view of the factors summarised in this section above, taking into account that (i) challenges remain with respect to the Yashili Group’s operating environment as discussed in this letter above; (ii) the Cancellation Price represents premia in a range of approximately 124.4% to 160.9% over the closing Yashili Share prices for different periods up to and including the Unaffected Price Date and premia in a range of approximately 30.4% to 89.5% over the closing Yashili Share prices for different periods up to and including the Yashili Last Trading Day; (iii) notwithstanding the Cancellation Price represents a discount of approximately 2.9% to Yashili’s adjusted net asset value per Yashili Share as adjusted by the Yashili Property Valuation and the deduction of the Dumex China NAV, its implied P/B Multiple is significantly higher than the historical P/B Multiples of Yashili since January 1, 2021 up to and including the Unaffected Price Date ranging from approximately 0.32 times to approximately 0.59 times; (iv) the trading volume of the Yashili Shares has been low in general (except for certain periods discussed above) and the Privatization Proposal provides an opportunity for the Scheme Shareholders to realise their investments in Yashili for cash at premia as indicated if they so wish; (v) based on the results of the comparable company analysis as set out in this letter above, we consider the valuation of Yashili (based on P/S and P/B Multiples (on adjusted basis) represented by the Cancellation Price) to be reasonable; and (vi) as set out in the privatization precedents analysis above, we consider the premia represented by the Cancellation Price, especially over the closing Yashili Share prices on, and for different periods up to and including the Unaffected Price Date, are favourable to the Disinterested Scheme Shareholders, we are of the view that the Cancellation Price is fair and reasonable.

**OPINION AND RECOMMENDATIONS**

Based on the above principal factors and reasons summarised in the section headed “Discussion” above, we consider the terms of the Privatization Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, we recommend the Yashili Independent Board Committee to advise the Disinterested Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the resolutions necessary to implement the Privatization Proposal and the Scheme at the Scheme EGM.

The Yashili Shares have traded below the Cancellation Price throughout the Review Period and up to the Latest Practicable Date. Although we consider it unlikely, there remains the possibility that the Yashili Share price may exceed the Cancellation Price by June 26, 2023, being the expected last day for trading in the Yashili Shares on the Stock Exchange. Accordingly, the Scheme Shareholders are advised to monitor the trading price and liquidity of the Yashili Shares during this period. Having regard to their own circumstances, Scheme Shareholders may consider selling their Yashili Shares in the open market if the net proceeds obtained from such disposals (after deducting all transaction costs) would be higher than the net proceeds to be received under the Scheme.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Stephanie Chow**  
*Director*

*Ms. Stephanie Chow is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over fifteen years' experience in the corporate finance industry.*



*This Explanatory Memorandum constitutes the statement required under Order 102 of the Grand Court Rules of the Cayman Islands 1995 (as revised).*

**SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES ACT OF THE CAYMAN ISLANDS)**

**1. INTRODUCTION**

Reference is made to the Rule 3.5 Announcement dated May 6, 2022 jointly issued by Yashili, the Offeror and Mengniu pursuant to Rule 3.5 of the Takeovers Code in relation to, among other things, the Privatization Proposal. On May 3, 2022, the Offeror requested the Yashili Board to put forward a proposal to the Scheme Shareholders for the privatization of Yashili by way of a scheme of arrangement under section 86 of the Companies Act, subject to the Scheme Pre-Conditions (which were satisfied on March 9, 2023).

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Privatization Proposal and to provide Scheme Shareholders with additional information in relation to the Scheme.

Your attention is also drawn to the following sections of this Scheme Document: (i) the letter from the Yashili Board set out in Part V of this Scheme Document; (ii) the letter from the Yashili Independent Board Committee set out in Part VI of this Scheme Document; (iii) the letter from the Independent Financial Adviser set out in Part VII of this Scheme Document; and (iv) the Scheme set out in Appendix IV of this Scheme Document.

**2. PRE-CONDITIONS TO THE PRIVATIZATION PROPOSAL AND THE SCHEME**

The putting forward of the Privatization Proposal to the Scheme Shareholders is conditional upon the following pre-conditions having been satisfied:

- (a) the Independent Yashili Shareholders having approved the Proposed Transactions at the Yashili First EGM;
- (b) the 25% Yashili Acquisition having been completed in accordance with its terms; and
- (c) the consent from the Executive with respect to the Proposed Transactions as special deals under the Takeovers Code having been granted.

As disclosed in the announcement dated March 9, 2023 jointly published by Mengniu, the Offeror and Yashili, all of the Scheme Pre-Conditions have been satisfied on March 9, 2023.

**3. TERMS OF THE PRIVATIZATION PROPOSAL**

Subject to the Scheme Conditions described in the section headed “5. Conditions to the Privatization Proposal and the Scheme” in the Explanatory Memorandum in Part VIII of this Scheme Document being fulfilled or waived (as applicable), the proposed privatization of Yashili will be implemented by way of the Scheme.

If the Privatization Proposal is approved and implemented:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the cash payment of the Cancellation Price of HK\$1.20 per Scheme Share;
- (b) such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled will be issued to the Offeror, credited as fully paid, such that Mengniu International and the Offeror will together directly hold 100% of the issued share capital of Yashili, and:
  - (i) assuming that (x) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date and (y) the Mengniu Intra-group Transfer has been completed prior to the Scheme Effective Date, Yashili will become a 99.97% indirectly owned subsidiary of Mengniu effectively;
  - (ii) assuming that (x) the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme Record Date and (y) the Mengniu Intra-group Transfer has been completed prior to the Scheme Effective Date, Yashili will become a 99.99985% indirectly owned subsidiary of Mengniu effectively;
  - (iii) assuming that (x) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date and (y) the Mengniu Intra-group Transfer has not been completed prior to the Scheme Effective Date, Yashili will become a 99.97% indirectly owned subsidiary of Mengniu effectively; or
  - (iv) assuming that (x) the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme

Record Date and (y) the Mengniu Intra-group Transfer has not been completed prior to the Scheme Effective Date, Yashili will become a wholly and indirectly owned subsidiary of Mengniu; and

- (c) the withdrawal of the listing of Yashili Shares on the Stock Exchange is expected to take place as soon as practicable after the Scheme Effective Date.

In accordance with Rule 20.1(a) of the Takeovers Code, upon the Scheme becoming effective, the Cancellation Price of HK\$1.20 per Scheme Share will be paid by Mengniu to the Scheme Shareholders whose names appear on the register of members of Yashili as at the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Scheme Effective Date.

### **Comparison of value**

The Cancellation Price of HK\$1.20 for each Scheme Share represents:

- (a) a premium of approximately 2.6% over the closing price of HK\$1.17 per Yashili Share as quoted on the Stock Exchange on May 25, 2023, being the Latest Practicable Date;
- (b) a premium of approximately 160.9% over the closing price of HK\$0.460 per Yashili Share as quoted on the Stock Exchange on March 11, 2022, being the Unaffected Price Date;
- (c) a premium of approximately 150.5% over the average closing price of HK\$0.479 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Unaffected Price Date;
- (d) a premium of approximately 138.5% over the average closing price of HK\$0.503 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Unaffected Price Date;
- (e) a premium of approximately 134.2% over the average closing price of HK\$0.512 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Unaffected Price Date;
- (f) a premium of approximately 127.3% over the average closing price of HK\$0.528 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Unaffected Price Date;

- (g) a premium of approximately 124.4% over the average closing price of HK\$0.535 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Unaffected Price Date;
- (h) a premium of approximately 30.4% over the closing price of HK\$0.920 per Yashili Share as quoted on the Stock Exchange on May 6, 2022, being the Yashili Last Trading Day;
- (i) a premium of approximately 38.6% over the average closing price of HK\$0.866 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Yashili Last Trading Day;
- (j) a premium of approximately 31.8% over the average closing price of HK\$0.911 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Yashili Last Trading Day;
- (k) a premium of approximately 64.4% over the average closing price of HK\$0.730 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Yashili Last Trading Day;
- (l) a premium of approximately 81.8% over the average closing price of HK\$0.660 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Yashili Last Trading Day;
- (m) a premium of approximately 89.5% over the average closing price of HK\$0.633 per Yashili Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Yashili Last Trading Day;
- (n) a premium of approximately 31.9% over the closing price of HK\$0.910 per Yashili Share as quoted on the Stock Exchange on March 14, 2022, being the last trading day prior to the Offer Period Commencement Date;
- (o) a discount of approximately 6.3% to Yashili's net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.28 as at December 31, 2022 derived from the FY2022 Financial Statements, which is calculated based on the audited consolidated total equity attributable to Yashili Shareholders of approximately RMB5,316 million (equivalent to approximately HK\$6,079 million based on the Reference Exchange Rate) as at December 31, 2022 and 4,745,560,296 Yashili Shares in issue as at the Latest Practicable Date;

- (p) a premium of approximately 3.3% over Yashili's adjusted net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.16 as at December 31, 2022 (as adjusted by the deduction of the Dumex China NAV), based on the Reference Exchange Rate;
- (q) a discount of approximately 11.5% to Yashili's adjusted net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.36 as at December 31, 2022 (as adjusted by the Yashili Property Valuation), based on the Reference Exchange Rate; and
- (r) a discount of approximately 2.9% to Yashili's adjusted net asset value attributable to the Yashili Shareholders per Yashili Share of approximately HK\$1.24 as at December 31, 2022 (as adjusted by the Yashili Property Valuation and the deduction of the Dumex China NAV), based on the Reference Exchange Rate.

Please refer to the paragraphs headed "5. Net Asset Value of Yashili as adjusted by the deduction of the Dumex China NAV", "6. Net Asset Value of Yashili as adjusted by the Yashili Property Valuation" and "7. Net Asset Value of Yashili as adjusted by the Yashili Property Valuation and the deduction of the Dumex China NAV" in Appendix I to this Scheme Document for further information on the calculation of Yashili's adjusted net asset values attributable to the Yashili Shareholders per Yashili Share as at December 31, 2022 as set out in paragraphs (p), (q) and (r) above, respectively.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Yashili Shareholders and potential investors should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Cancellation Price.

The respective shareholders and potential investors of Yashili and Mengniu should therefore exercise caution when dealing in the securities of Yashili and Mengniu. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

#### **Highest and lowest prices of Yashili Shares**

During the Relevant Period, the highest closing price of the Yashili Shares as quoted on the Stock Exchange was HK\$1.18 most recently on May 23, 2023, and the lowest closing price of the Yashili Shares as quoted on the Stock Exchange was HK\$0.46 on March 11, 2022.

**Basis for determining the Cancellation Price**

The Cancellation Price was determined with reference to the price for the 25% Yashili Acquisition after taking into account the potential benefits of the Privatization Proposal for the Mengniu Shareholders and Yashili Shareholders and other privatization transactions in Hong Kong in recent years.

**Dividend payment by Yashili**

As at the Latest Practicable Date, Yashili has not declared or announced any dividend, distribution or other return of capital which remains unpaid. Yashili does not intend to announce, declare and/or pay any dividend, distribution or other return of capital before (a) the Scheme Effective Date or (b) the date on which the Privatization Proposal lapses (whichever is earlier).

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Yashili Shares and the record date to be announced by the Yashili Board for determining the entitlement of such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Scheme Effective Date, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or return of capital (as the case may be) after consultation with the Executive, in which case any reference in the Rule 3.5 Announcement, this Scheme Document or any other announcement or document in relation to the Scheme to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

**4. CONFIRMATION OF FINANCIAL RESOURCES**

As of the Latest Practicable Date, the issued share capital of Yashili comprises 4,745,560,296 Yashili Shares, of which 2,422,117,713 and 1,186,390,074 Yashili Shares are held by Mengniu International and the Offeror, respectively (representing approximately 51.04% and 25.00% of the Yashili Shares, respectively), and save for the Phantom Shares, holders of which do not own any Yashili Shares nor enjoy voting rights or allotment rights of Yashili Shares by virtue of holding the Phantom Shares, Yashili does not have any other outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue. For the avoidance of doubt, the Yashili Shares held by Mengniu International and the Offeror will not form part of the Scheme Shares.

On the basis of the Cancellation Price of HK\$1.20 per Scheme Share:

- (a) assuming (i) there will be no change in the number of Yashili Shares in issue prior to the Scheme Record Date; and (ii) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date, the total number of Scheme Shares that will be subject to cancellation is 1,137,052,509 and the total cancellation consideration payable under the Privatization Proposal is approximately HK\$1,364,463,011; and
- (b) assuming (i) there will be no change in the number of Yashili Shares in issue prior to the Scheme Record Date; and (ii) all of the Mengniu International Exchange Right Recipients exercise their Mengniu International Exchange Right and become Scheme Shareholders at or prior to the Scheme Record Date, 1,214,006 Yashili Shares will be transferred by Mengniu International to the Mengniu International Exchange Right Recipients, the total number of Scheme Shares that will be subject to cancellation is 1,138,266,515 and the total cancellation consideration payable under the Privatization Proposal is approximately HK\$1,365,919,818 (being the maximum cancellation consideration).

The Offeror intends to finance the cash required for the Privatization Proposal from existing fund facilities granted to Mengniu by HSBC.

HSBC, the financial adviser to the Offeror and Mengniu, is satisfied that sufficient financial resources are available to the Offeror for satisfying the maximum cancellation consideration payable under the Privatization Proposal in accordance with its terms.

## **5. CONDITIONS TO THE PRIVATIZATION PROPOSAL AND THE SCHEME**

The Privatization Proposal will be, and the Scheme will become, effective and binding on Yashili and all of the Scheme Shareholders, subject to the satisfaction or waiver (as applicable) of the following Scheme Conditions:

### **Shareholders' approval**

- (a) (i) the approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

- (ii) the Scheme is approved (by way of poll) by the Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
  - (iii) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares;
- (b) the passing of:
- (i) a special resolution by a majority of not less than three-fourths of the votes cast by the Yashili Shareholders present and voting in person or by proxy at the Scheme EGM to approve and give effect to any reduction of the issued share capital of Yashili associated with the cancellation of the Scheme Shares; and
  - (ii) an ordinary resolution by a simple majority of the votes cast by the Yashili Shareholders present and voting in person or by proxy at the Scheme EGM to simultaneously maintain the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of Scheme Shares to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled for issuance to the Offeror;

**Other Cayman law requirements**

- (c) the sanction of the Scheme (with or without modifications) by the Court and, to the extent necessary, its confirmation of any reduction of the issued share capital of Yashili involved in the Scheme, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to any reduction of the issued share capital of Yashili involved in the Scheme;



**Third party consents and other governmental or regulatory approvals**

- (e) all Approvals in connection with the Privatization Proposal and the Scheme having been obtained from, given by or made with or by (as the case may be) the relevant Authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions, and all such Approvals remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by the relevant Authorities which are not expressly provided for, or are in addition to requirements expressly provided for, in any relevant laws, rules, regulations or codes in connection with the Privatization Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
- (f) all third party consents or waivers in relation to the Privatization Proposal and the Scheme which may be required under any existing contractual obligations of the Yashili Group having been obtained (and remaining in effect), where any failure to obtain such consent or waiver would have a material adverse effect on the implementation of the Privatization Proposal or the Scheme or the business, assets or liabilities of the Yashili Group;
- (g) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted or, made, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Privatization Proposal or the Scheme or the implementation thereof in accordance with their terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Privatization Proposal or the Scheme or the implementation thereof in accordance with their terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Privatization Proposal and the Scheme;
- (h) since the Rule 3.5 Announcement Date, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Yashili Group (to an extent which is material in the context of the Yashili Group taken as a whole or in the context of the Privatization Proposal); and
- (i) save in connection with the implementation of the Privatization Proposal, the listing of Yashili on the Stock Exchange not having been withdrawn, and no indication having been received from the SFC and/or the Stock Exchange, to the effect that the listing of the Yashili Shares on the Stock Exchange is or is likely to be withdrawn.

The Scheme Conditions in paragraphs (a) to (g) (inclusive) above are not waivable. The Offeror reserves the right to waive all or any of the Scheme Conditions in paragraphs (h) to (i) (inclusive) above in whole or in part. Yashili does not have the right to waive any of the Scheme Conditions. All of the above Scheme Conditions must be fulfilled or waived, as applicable, on or before the Scheme Long Stop Date, failing which the Privatization Proposal and the Scheme will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Privatization Proposal if the circumstances which give rise to the right to invoke such Scheme Condition are of material significance to the Offeror in the context of the Privatization Proposal.

As at the Latest Practicable date and based on the information available to the Offeror and Yashili, other than pursuant to the Scheme Conditions in paragraphs (a) to (d) (inclusive) above and the application for the withdrawal of the listing of the Yashili Shares on the Stock Exchange upon the Scheme becoming effective, each of the Offeror and Yashili is not aware of any circumstances which may result in any of the Scheme Conditions in paragraphs (e) to (f) (inclusive) above not being satisfied. As at the Latest Practicable Date and based on the information available to the Offeror and Yashili, in relation to Scheme Condition (e) above, save for Scheme Conditions (c) and (d) above and the application for the withdrawal of the listing of the Yashili Shares on the Stock Exchange upon the Scheme becoming effective, neither the Offeror nor Yashili is aware of any other Approvals which are required for the Privatization Proposal and the Scheme.

The Privatization Proposal will lapse if any of the Scheme Conditions has not been satisfied or waived, as applicable, on or before the Scheme Long Stop Date. If the Scheme is not approved or if the Privatization Proposal otherwise lapses, the listing of Yashili Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or if the Privatization Proposal otherwise lapses, neither the Offeror nor any of the Offeror Concert Parties nor any person who is subsequently acting in concert with any of them may, within 12 months thereafter, announce an offer or possible offer for Yashili Shares, except with the consent of the Executive. In accordance with the Takeovers Code, the Offeror will not put forward any proposal for the privatization of Yashili within 12 months from the date of non-approval or lapse of the Privatization Proposal.

**If the Scheme Conditions are satisfied or validly waived (as applicable), the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Scheme EGM.**

An announcement will be made by Yashili, Mengniu and the Offeror in relation to the results of the Court Meeting and the Scheme EGM on Friday, June 23, 2023 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Scheme Effective Date and the date of withdrawal of listing of Yashili Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

**Warning: The respective shareholders and potential investors of Yashili and Mengniu should be aware that the Privatization Proposal is subject to the Scheme Conditions being satisfied or waived, as applicable, and therefore the Privatization Proposal may or may not become unconditional and the Privatization Proposal and the Scheme may or may not be completed. The respective shareholders and potential investors of Yashili and Mengniu should therefore exercise caution when dealing in the securities of Yashili and Mengniu. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## **6. BINDING EFFECT OF THE SCHEME**

Pursuant to section 86(1) of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.

Section 86(2A) of the Companies Act further provides that if 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting convened as directed by the Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Court, be binding on all members or class of members, as the case may be, and also on the company.

Upon the Scheme becoming effective, it will be binding on Yashili and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the Scheme EGM.

**7. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE**

In addition to satisfying the requirements under section 86 of the Companies Act as summarized above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (a) the Scheme is approved (by way of poll) by the Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast (by way of poll) by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Scheme Shares.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 1,137,052,509 Yashili Shares. On that basis, and assuming that on or before the Meeting Record Date, no new Yashili Shares are issued and there is no exercise of the Mengniu International Exchange Right, 10% of the votes attached to such Disinterested Scheme Shares is approximately 113,705,251 votes.

For the purpose of counting the votes for (a) and (b) above, Disinterested Scheme Shareholders comprise all Scheme Shareholders as at the Meeting Record Date other than the Offeror and the Offeror Concert Parties (except in respect of the holding of Scheme Shares by members of the HSBC Group, which are exempt principal traders and/or exempt fund managers in their capacity as such, in each case recognized by the Executive as such for the purposes of the Takeovers Code). For the avoidance of doubt, Disinterested Scheme Shareholders shall include any member of the HSBC Group in respect of any Scheme Shares where the beneficial owners of such Scheme Shares are investment clients of a member of the HSBC Group and such beneficial owners (A) control the voting rights attached to such Scheme Shares, (B) give instructions to a member of the HSBC Group as to how such Scheme Shares are to be voted and (C) are not otherwise involved in, or interested in, the Privatization Proposal.

Scheme Shares held by any member of the HSBC Group acting in the capacity of an exempt principal trader connected with the Offeror or Yashili shall not be voted at the Court Meeting in accordance with the requirement of Rule 35.4 of the Takeovers Code, unless otherwise confirmed with the Executive. Scheme Shares held by such exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the Court Meeting if: (a) the relevant exempt principal

trader holds the Scheme Shares as a simple custodian for and on behalf of non-discretionary clients; (b) there are contractual arrangements in place between the relevant connected exempt principal trader and the non-discretionary clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Scheme Shares and all voting instructions originate from the non-discretionary clients only (if no instructions are given, then no votes shall be cast for the relevant Scheme Shares held by the relevant connected exempt principal trader); and (c) the non-discretionary clients are not the Offeror or the Offeror Concert Parties or otherwise involved in, or interested in, the Privatization Proposal.

## **8. VOTING AT THE COURT MEETING AND THE SCHEME EGM**

All Scheme Shareholders as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting to approve the Scheme, but only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if the requirements in paragraphs (a)(ii) and (a)(iii) in the section headed “5. Conditions to the Privatization Proposal and the Scheme” above are satisfied.

All Yashili Shareholders as at the Meeting Record Date will be entitled to attend the Scheme EGM and vote on: (a) the special resolution to approve and give effect to any reduction of the issued share capital of Yashili associated with the cancellation of the Scheme Shares; and (b) the ordinary resolution to simultaneously maintain the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the cancellation of the Scheme Shares to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled, for issuance to the Offeror.

## **9. SHAREHOLDING STRUCTURE OF YASHILI**

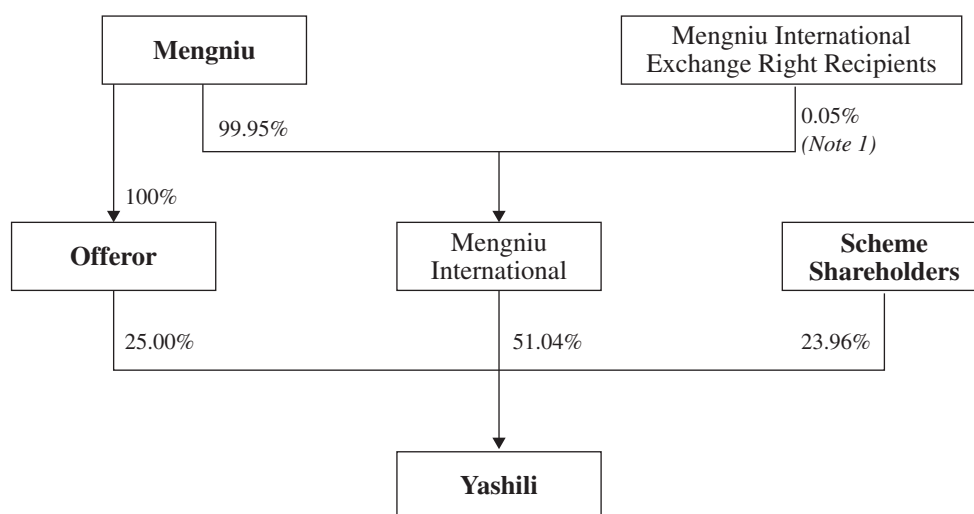
As at the Latest Practicable Date:

- (a) Yashili has 4,745,560,296 Yashili Shares in issue and, save for the Phantom Shares, Yashili does not have any other outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue;
- (b) Mengniu indirectly holds 3,608,507,787 Yashili Shares, comprising of (i) 2,422,117,713 Yashili Shares directly held by Mengniu International, a 99.95% directly owned subsidiary of Mengniu, representing approximately 51.04% of the issued share capital of Yashili, and (ii) 1,186,390,074 Yashili Shares directly held by the Offeror, a wholly and directly owned subsidiary of Mengniu, representing 25.00% of the issued share capital of Yashili; and

- (c) the remaining 1,137,052,509 Yashili Shares, representing approximately 23.96% of the Yashili Shares, constitute the Scheme Shares.

For the avoidance of doubt, the Phantom Share Recipients do not own any Yashili Shares nor enjoy voting rights or allotments rights of the Yashili Shares by virtue of holding the Phantom Shares. Also, the Phantom Shares are not securities convertible into the Yashili Shares.

The chart below sets out the illustrative shareholding structure of Yashili as at the Latest Practicable Date:



*Notes:*

- (1) As disclosed in the composite offer and response document issued by Mengniu, Mengniu International and Yashili dated July 23, 2013, each shareholder of Mengniu International (other than Mengniu) may require Mengniu International to exchange all (but not part only) of the shares of Mengniu International held by such shareholder with such shareholder's proportionate interest in Yashili held through Mengniu International (the "**Mengniu International Exchange Right**"). Mengniu International will transfer its Yashili Shares in compliance with the Takeovers Code to satisfy its obligations upon any exercise of the Mengniu International Exchange Right during the offer period (as defined under the Takeovers Code). However, for the avoidance of doubt, any transfer by Mengniu International of its Yashili Shares to such Mengniu International Exchange Right Recipient following the exercise of the Mengniu International Exchange Right will be subject to the closure of the register of members of Yashili for determining the entitlement to attend and vote at the Court Meeting and the Scheme EGM and the entitlements under the Scheme as detailed in the expected timetable of the Scheme in Part IV of this Scheme Document and the paragraph headed "Closure of the register of members of Yashili" in the section headed "17. Registration and Payment" in the Explanatory Memorandum in Part VIII of this Scheme Document. If any Mengniu International Exchange Right Recipient does not exercise his/her/its Mengniu International Exchange Right and become a Scheme Shareholder: (i) at or prior to the Meeting Record Date, such Mengniu International Exchange Right Recipient will not be entitled to attend and vote at the Court Meeting and the Scheme EGM; and (ii) at or prior to the Scheme Record Date, such Mengniu International Exchange Recipient will not be entitled to the Cancellation Price under the Scheme.

As of the Latest Practicable Date, the Mengniu International Exchange Right Recipients held 4,976,748 shares of Mengniu International (representing approximately 0.05% of the total issued shares of Mengniu International), which were exchangeable into 1,214,006 Yashili Shares held by Mengniu International (representing approximately 0.03% of the Yashili Shares) pursuant to the full exercise of the Mengniu International Exchange Right.

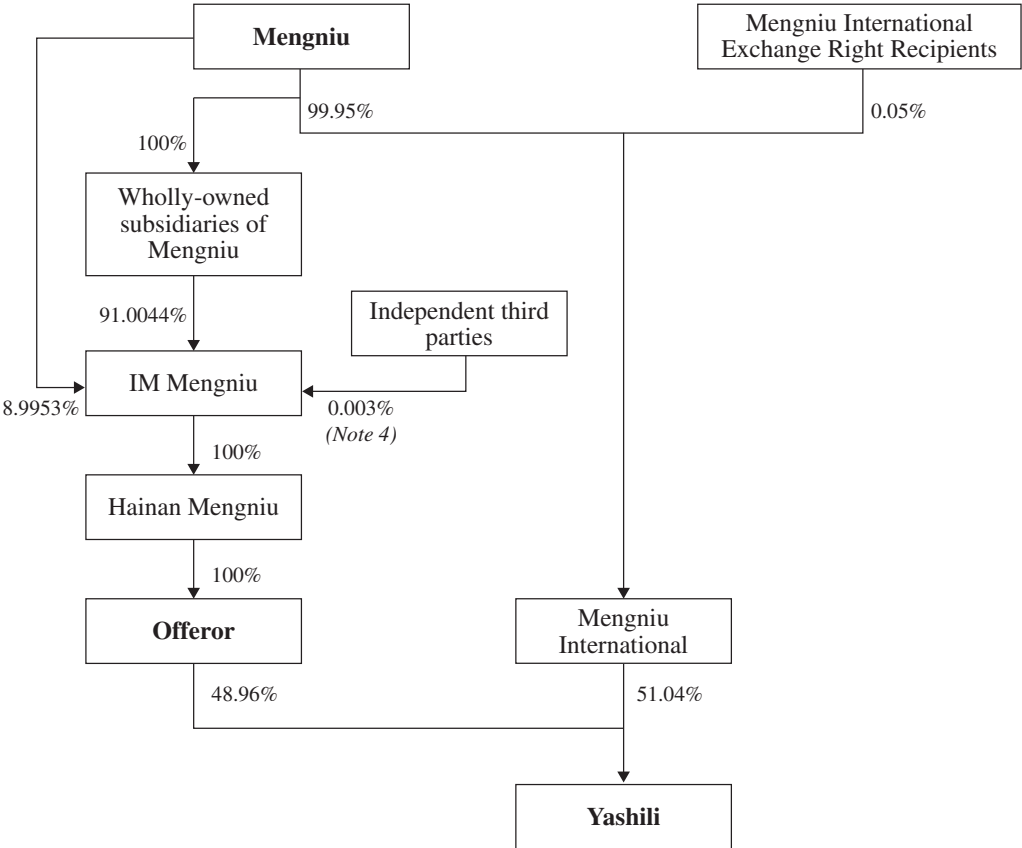
As stated in the section headed “10. Reasons for and benefits of the Privatization Proposal” below, the Privatization Proposal aims at, among other things, facilitating the long term growth of the Yashili Group in a more efficient manner. Given that the business focus of Yashili has been centered in the PRC, for the purpose of facilitating the resource sharing, Mengniu proposes to manage the Yashili Shares acquired and to be acquired through the Offeror on a consolidated platform in the PRC within the Mengniu Group in the future by transferring all of its shares in the Offeror to Hainan Mengniu, which is a wholly-owned subsidiary of IM Mengniu, which is in turn the main operating subsidiary of the Mengniu Group, after the Latest Practicable Date.

**(a) On the basis of no exercise of the Mengniu International Exchange Right:**

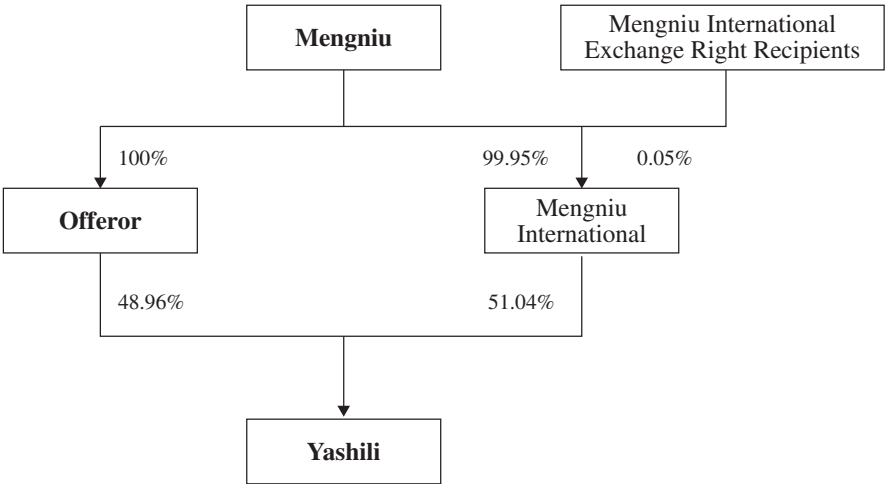
On the assumption that (i) there is no change in the number of Yashili Shares in issue, (ii) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date, and (iii) there is no other change in the holding of Yashili Shares between the Latest Practicable Date and the Scheme Record Date, the table below sets out the shareholding structure of Yashili as at the Latest Practicable Date and immediately upon completion of the Scheme:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Scheme	
	<i>Number of Yashili Shares</i>	<i>Approximate % of total issued Yashili Shares</i>	<i>Number of Yashili Shares</i>	<i>Approximate % of total issued Yashili Shares</i>
The Offeror ( <i>Note 1</i> )	1,186,390,074	25.00%	2,323,442,583	48.96%
Mengniu International ( <i>Note 2</i> )	2,422,117,713	51.04%	2,422,117,713	51.04%
<b>Mengniu Group</b>	3,608,507,787	76.04%	4,745,560,296	100%
Mengniu Directors	—	—	—	—
Yashili Directors	—	—	—	—
<b>Sub-total of Offeror Concert Parties</b>	3,608,507,787	76.04%	4,745,560,296	100%
Other Public Yashili Shareholders	1,137,052,509	23.96%	—	—
<b>Disinterested Scheme Shareholders</b>	1,137,052,509	23.96%	—	—
<b>Scheme Shareholders</b>	1,137,052,509	23.96%	—	—
<b>Total number of Yashili Shares</b>	4,745,560,296	100%	4,745,560,296	100%

Based on the assumptions (i) to (iii) above and the additional assumption that the Mengniu Intra-group Transfer has been completed prior to the completion of the Scheme, the chart below sets out the illustrative shareholding structure of Yashili immediately upon completion of the Scheme:



Based on the assumptions (i) to (iii) above and the additional assumption that the Mengniu Intra-group Transfer has not been completed prior to the completion of the Scheme, the chart below sets out the illustrative shareholding structure of Yashili immediately upon completion of the Scheme:



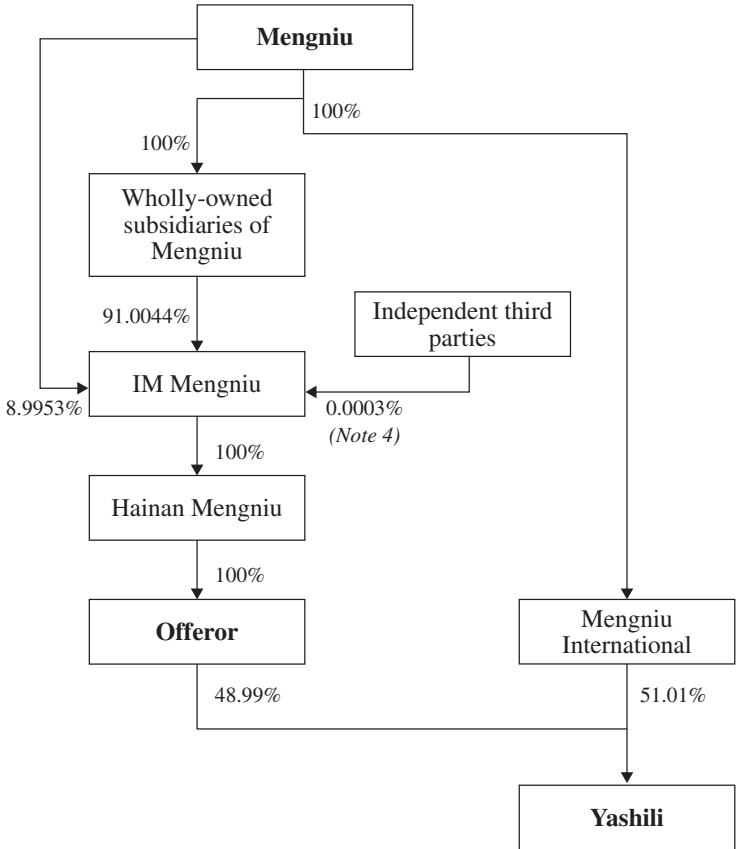


**(b) On the basis of full exercise of the Mengniu International Exchange Right:**

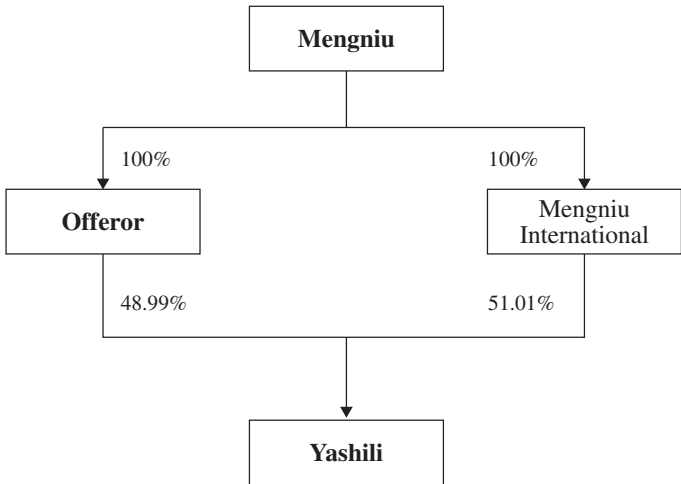
On the assumption that (i) there is no change in the number of Yashili Shares in issue, (ii) the Mengniu International Exchange Right is fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme Record Date, and (iii) there is no other change in the holding of Yashili Shares between the Latest Practicable Date and the Scheme Record Date, the table below sets out the shareholding structure of Yashili as at the Latest Practicable Date and immediately upon completion of the Scheme:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Scheme	
	<i>Number of Yashili Shares</i>	<i>Approximate % of total issued Yashili Shares</i>	<i>Number of Yashili Shares</i>	<i>Approximate % of total issued Yashili Shares</i>
The Offeror ( <i>Note 1</i> )	1,186,390,074	25.00%	2,324,656,589	48.99%
Mengniu International ( <i>Notes 2, 3</i> )	2,422,117,713	51.04%	2,420,903,707	51.01%
<b>Mengniu Group</b>	3,608,507,787	76.04%	4,745,560,296	100%
Mengniu Directors	—	—	—	—
Yashili Directors	—	—	—	—
<b>Sub-total of Offeror Concert Parties</b>	3,608,507,787	76.04%	4,745,560,296	100%
Other Public Yashili Shareholders	1,137,052,509	23.96%	—	—
<b>Disinterested Scheme Shareholders</b>	1,137,052,509	23.96%	—	—
<b>Scheme Shareholders</b>	1,137,052,509	23.96%	—	—
<b>Total number of Yashili Shares</b>	<u>4,745,560,296</u>	<u>100%</u>	<u>4,745,560,296</u>	<u>100%</u>

Based on the assumptions (i) to (iii) above and the additional assumption that the Mengniu Intra-group Transfer has been completed prior to the completion of the Scheme, the chart below sets out the illustrative shareholding structure of Yashili immediately upon completion of the Scheme:



Based on the assumptions (i) to (iii) above and the additional assumption that the Mengniu Intra-group Transfer has not been completed prior to the completion of the Scheme, the chart below sets out the illustrative shareholding structure of Yashili immediately upon completion of the Scheme:



*Notes:*

- (1) As of the Latest Practicable Date, the Offeror is a wholly and directly owned subsidiary of Mengniu. Mengniu proposes to transfer all of the shares of the Offeror held by it to Hainan Mengniu, a directly and wholly owned subsidiary of IM Mengniu, which is in turn the main operating subsidiary of the Mengniu Group, after the Latest Practicable Date. IM Mengniu is owned directly by Mengniu and indirectly through the wholly owned subsidiaries of Mengniu as to approximately 99.9997%.
- (2) As of the Latest Practicable Date, Mengniu International is a 99.95% directly owned subsidiary of Mengniu.
- (3) Following the full exercise of the Mengniu International Exchange Right, Mengniu International will become a wholly-owned subsidiary of Mengniu.
- (4) So far as the Mengniu Directors, Offeror Directors and Yashili Directors are aware, these shareholders of IM Mengniu are independent third parties not connected with Mengniu, the Offeror or Yashili within the meaning of the Listing Rules and they are not the Offeror Concert Parties and Yashili Shareholders as of the Latest Practicable Date.
- (5) As of the Latest Practicable Date, Yashili has 45,710,381 granted but not yet realized Phantom Shares. As disclosed in the announcement of Yashili dated July 16, 2020, the Phantom Share Incentive Scheme of Yashili was adopted on July 15, 2020 for certain key personnel of Yashili, and the Phantom Share Recipients do not own any Yashili Shares nor enjoy voting rights or allotments rights of the Yashili Shares by virtue of holding the Phantom Shares. Also, the Phantom Shares are not securities convertible into the Yashili Shares. Under the Phantom Share Incentive Scheme, each Phantom Share entitles its holder to receive the corresponding proceeds to be paid by Yashili in cash, subject to the conditions and arrangements in relation to the grant and vesting of the Phantom Shares and realization of the proceeds. The amount of the proceeds in respect of the Phantom Shares is determined taking into account, among others, the Phantom Share Benchmark Price and the number of vested Phantom Shares. The number of the Phantom Shares which shall vest is subject to the achievement of performance indicators of Yashili in the preceding fiscal year of the Vest Day. If the Phantom Share Benchmark Price on the Vest Day is lower than or equivalent to the Phantom Share Benchmark Price on the Grant Day, the proceeds to be received by the Phantom Share Recipients shall be the Phantom Share Benchmark Price on the Grant Day multiplied by the number of vested Phantom Shares held by such holders. If the Phantom Share Benchmark Price on the Vest Day is higher than the Phantom Share Benchmark Price on the Grant Day, the proceeds to be received by the Phantom Share Recipients shall be the lower of: (i) the Phantom Share Benchmark Price on the Vest Day multiplied by the number of vested Phantom Shares held by such Phantom Share Recipients; and (ii) the sum of (a) the actual Responsible Profit in the preceding fiscal year of the Vest Day minus the target Responsible Profit in the same year (where the actual Responsible Profit is lower than the target Responsible Profit in such year, (a) shall be 0), and (b) the Phantom Share Benchmark Price on the Grant Day multiplied by the number of vested Phantom Shares held by such Phantom Share Recipients.
- (6) HSBC is the financial adviser to the Offeror and Mengniu in relation to the Privatization Proposal. Accordingly, HSBC and members of the HSBC Group are presumed to be acting in concert with the Offeror and Mengniu in relation to Yashili by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code (except in respect of the Yashili Shares held by exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purpose of the Takeovers Code, and excluding Yashili Shares held on behalf of non-discretionary investment clients of the HSBC Group). Except for any exempt principal trader recognized by the Executive, who is not presumed to be acting in concert with the Offeror and Mengniu for the purpose of the Takeovers Code in respect of Yashili Shares over which it has voting discretion, HSBC Group does not own, control or have discretion over any voting rights in Yashili or rights over Yashili Shares as of the Latest Practicable Date.

- (7) The percentages of the Yashili Shares are rounded to the nearest two decimal places, and the total number of the percentages may not add up to 100% due to rounding.

Upon the Scheme becoming effective, Mengniu International and the Offeror will together directly hold 100% of the issued share capital of Yashili and:

- (i) assuming that (x) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date and (y) the Mengniu Intra-group Transfer has been completed prior to the Scheme Effective Date, Yashili will become a 99.97% indirectly owned subsidiary of Mengniu effectively;
- (ii) assuming that (x) the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme Record Date and (y) the Mengniu Intra-group Transfer has been completed prior to the Scheme Effective Date, Yashili will become a 99.99985% indirectly owned subsidiary of Mengniu effectively;
- (iii) assuming that (x) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date and (y) the Mengniu Intra-group Transfer has not been completed prior to the Scheme Effective Date, Yashili will become a 99.97% indirectly owned subsidiary of Mengniu effectively; or
- (iv) assuming that (x) the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme Record Date and (y) the Mengniu Intra-group Transfer has not been completed prior to the Scheme Effective Date, Yashili will become a wholly and indirectly owned subsidiary of Mengniu.

## 10. REASONS FOR AND BENEFITS OF THE PRIVATIZATION PROPOSAL

- (a) **For the Scheme Shareholders — a proposal to unlock share value with limited liquidity and monetize investments on the same commercial terms as Danone**

It has come to Mengniu's attention that the trading volume of the Yashili Shares has been at a relatively low level over an extended period of time. The average daily trading volume of the Yashili Shares for the trading days during the past 12 months up to and including the Unaffected Price Date was approximately 1.2 million Yashili Shares per day, representing only approximately 0.03% of the issued Yashili Shares as at the Unaffected Price Date. The low trading volume of the Yashili Shares could create difficulties for the Scheme Shareholders to sell their shareholdings in

large volume on the secondary market without adversely affecting the share price. As discussed in the section headed “1. Background to the Proposed Transactions and the Privatization Proposal” of the Rule 3.5 Announcement, there is no obligation on the part of Mengniu to make any offer for the Yashili Shares following completion of the 25% Yashili Acquisition (which took place on March 9, 2023), as such, the Privatization Proposal is a one-off opportunity for the Scheme Shareholders to monetize their investments at an attractive premium to the market price immediately.

**(b) For the Scheme Shareholders — a proposal to realize gains in a challenging operating environment**

As disclosed in the 2022 Annual Report of Yashili, due to the decrease in newborn population and other factors, competition in the infant formula milk powder market in China has intensified over the past two decades, and the compliance with the New National Standards and the formula re-registration requirement also poses challenges to some small and medium-sized brands. These developments have impacted the operating performance of Yashili. The gross profit margin of Yashili for the financial year ended December 31, 2022 was 28.1%, the lowest profit margin for a full financial year recorded since the financial year ended December 31, 2010, during which Yashili Shares were first traded on the Stock Exchange. In light of the challenging market environment and significant market uncertainty, the Privatization Proposal could provide an opportunity for the Scheme Shareholders to realize their investment in Yashili for cash at a favorable premium of approximately 160.9% over the closing price of HK\$0.460 per Yashili Share as quoted on the Stock Exchange on the Unaffected Price Date.

**(c) For Mengniu and Yashili — a proposal to facilitate the long term growth of the Yashili Group more efficiently**

Mengniu launched and completed a voluntary general offer for Yashili Shares in 2013 with the intention to establish a partnership between Mengniu and Yashili which would enable both parties to leverage each other’s capabilities and resources in various areas, for instance product offering, product innovation and distribution and sales channel development to capture the rapid growth of infant milk formula market in the PRC. Since completion of the voluntary general offer, Mengniu has continued to support the development of Yashili. As of the Latest Practicable Date, Mengniu has maintained a majority controlling interest in Yashili indirectly for more than nine years. Faced with increased market competition and a challenging operating environment, Yashili estimates that it needs to be very flexible in implementing new initiatives to adapt to the shifting market dynamics, which will also carry potential execution risks. The Privatization Proposal, if successfully implemented, would place Yashili under 100% control of Mengniu in essence without

being subject to the requirements relevant to being a standalone listed company, and could facilitate Mengniu's contribution of further resources into Yashili to support the implementation of those new initiatives and Yashili's further growth in the long term.

**(d) For Mengniu and Yashili — a proposal to improve corporate governance and resolve potential competition between Mengniu and Yashili**

The Privatization Proposal will simplify the structure of Mengniu and will enable Mengniu to eliminate the listing of a subsidiary which has not raised any money from public equity capital market since Mengniu's completion of acquiring a controlling stake in Yashili in 2013. Upon completion of the Privatization Proposal whereby Yashili would no longer be a separately listed company, it is expected that the decision-making process could be streamlined, the transactions between Mengniu and Yashili would no longer constitute connected transactions under the Listing Rules, and the potential competition between Mengniu and Yashili in the infant milk formula market could be resolved. These improvements will in turn lower compliance costs and enhance management efficiency of both Mengniu and Yashili.

**11. THE OFFEROR'S INTENTION IN RELATION TO THE YASHILI GROUP**

As at the Latest Practicable Date, it is the intention of the Offeror for the Yashili Group to continue to carry on its existing business after the implementation of the Privatization Proposal, and the Offeror does not have plans to make any material changes to (a) the business of the Yashili Group (including any redeployment of any fixed asset of the Yashili Group); or (b) the continued employment of the employees of the Yashili Group.

**12. IF THE SCHEME IS NOT APPROVED OR IF THE PRIVATIZATION PROPOSAL OTHERWISE LAPSES**

The Privatization Proposal will lapse if any of the Scheme Conditions has not been satisfied or waived, as applicable, on or before the Scheme Long Stop Date. If the Scheme is not approved or if the Privatization Proposal otherwise lapses:

- (a) the Scheme will not be implemented and no Scheme Shares will be cancelled;
- (b) the listing of Yashili Shares on the Stock Exchange will not be withdrawn, and Yashili will continue to have sufficient public float as required under the Listing Rules; and
- (c) it is the intention of the Offeror for the Yashili Group to continue to carry on its existing business immediately after the date on which the Scheme is not approved or the Privatization Proposal otherwise lapses.

**If the Scheme is not approved or if the Privatization Proposal otherwise lapses, neither the Offeror nor any of the Offeror Concert Parties nor any person who is subsequently acting in concert with any of them may, within 12 months thereafter, announce an offer or possible offer for Yashili Shares, except with the consent of the Executive. In accordance with the Takeovers Code, the Offeror will not put forward any proposal for the privatization of Yashili within 12 months from the date of non-approval or lapse of the Privatization Proposal.**

Based on the information that is publicly available to Yashili and within the knowledge of the Yashili Directors as of the Latest Practicable Date, the minimum public float requirement applicable to Yashili of 23.42% pursuant to a waiver granted to Yashili by the Stock Exchange for the period commencing from the Yashili Initial Listing Date is satisfied as of the Latest Practicable Date.

### **13. INFORMATION ON MENGNIU, THE OFFEROR AND YASHILI**

#### **Information on Yashili**

Yashili, a subsidiary of Mengniu, is listed on the Main Board of the Stock Exchange and an exempted company incorporated in the Cayman Islands with limited liability. It is an investment holding company, which, along with other members of the Yashili Group, is primarily engaged in the manufacturing and sale of dairy and nourishment products. It operates in the following segments: (a) production and sale of milk powder products (including the development, manufacture and sale of milk powder products in the PRC and overseas); (b) production and sale of other milk powder products (including the production and sale of base powder); (c) sale of dissolvable products (including the development, manufacture and sale of soymilk powder, rice flour and cereal products); and (d) other operations (mainly including the sale of surplus raw materials and consigned processing operation).

#### **Information on Mengniu, Mengniu International and the Offeror**

Mengniu is listed on the Main Board of the Stock Exchange and an exempted company incorporated in the Cayman Islands with limited liability. It is an investment holding company, which together with other members of the Mengniu Group, is principally engaged in the manufacturing and distribution of quality dairy products including liquid milk, ice-cream and other dairy products. Mengniu Group is one of the leading dairy product manufacturers in the PRC.

Mengniu International, a 99.95% directly owned subsidiary of Mengniu as of the Latest Practicable Date and a business company incorporated in the British Virgin Islands with limited liability, is principally engaged in investment holding.

The Offeror, a company incorporated in Hong Kong with limited liability and a wholly and directly owned subsidiary of Mengniu as of the Latest Practicable Date, is principally engaged in investment holding.

Your attention is also drawn to Appendix I headed “Financial Information of the Yashili Group” and Appendix III headed “General Information” to this Scheme Document.

#### **14. YASHILI INDEPENDENT BOARD COMMITTEE**

The Yashili Independent Board Committee, comprising all independent non-executive Yashili Directors who are not interested in the Privatization Proposal, namely, Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway, has been established by the Yashili Board to advise and make recommendations to the Disinterested Scheme Shareholders as to: (a) whether the terms of the Privatization Proposal and the Scheme are fair and reasonable; and (b) whether to vote in favor of the resolution for the approval of the Scheme at the Court Meeting and the resolutions necessary to implement the Privatization Proposal and the Scheme at the Scheme EGM, taking into account the advice of the Independent Financial Adviser.



In view of the positions assumed by the respective non-executive Yashili Directors below, all non-executive Yashili Directors are considered as Offeror Concert Parties. Therefore, they are not considered as independent for the purpose of giving advice or recommendations to the Disinterested Scheme Shareholders and have been precluded from the Yashili Independent Board Committee:

- (a) Mr. Jeffrey, Minfang Lu is an executive director and the chief executive officer of Mengniu; and
- (b) Mr. Zhang Ping is an executive director and the chief financial officer of Mengniu.

The full text of the letter from the Yashili Independent Board Committee in relation to recommendations with respect to the Privatization Proposal and the Scheme is set out in Part VI of this Scheme Document.

#### **15. INDEPENDENT FINANCIAL ADVISER**

Somerley Capital Limited has been appointed as the Independent Financial Adviser by Yashili with the approval of the Yashili Independent Board Committee in accordance with the Listing Rules and the Takeovers Code, to advise the Yashili Independent Board Committee in respect of the Privatization Proposal and the Scheme.

The full text of the letter from the Independent Financial Adviser in relation to recommendations with respect to the Privatization Proposal and the Scheme is set out in Part VII of this Scheme Document.

#### **16. WITHDRAWAL OF LISTING OF THE YASHILI SHARES ON THE STOCK EXCHANGE**

Upon the Scheme being effective, all of the Scheme Shares will be cancelled (with the equivalent number of new Yashili Shares being issued, credited as fully paid, to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

Yashili will make an application to the Stock Exchange for the withdrawal of the listing of the Yashili Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from 4:00 p.m. on Wednesday, July 5, 2023.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Yashili Shares on the Stock Exchange and on which the Scheme and the withdrawal of listing of the Yashili Shares will become effective. A detailed expected timetable of the Scheme is included in Part IV of this Scheme Document.

## **17. REGISTRATION AND PAYMENT**

### **Closure of the register of members of Yashili**

Assuming that the Scheme Record Date falls on Tuesday, July 4, 2023, it is proposed that the register of members of Yashili will be closed from Friday, June 30, 2023 (or such other date as Yashili Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfer of Yashili Shares to them are lodged with Yashili's branch share registrar in Hong Kong, at Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, June 29, 2023.

### **Payment of the Cancellation Price to the Scheme Shareholders**

Upon the Scheme becoming effective, the Cancellation Price of HK1.20 per Scheme Share will be paid by Mengniu to the Scheme Shareholders whose names appear in the register of members of Yashili as at the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Scheme Effective Date. On the basis that the Scheme becomes effective on Tuesday, July 4, 2023 (Cayman Islands time), the cheques for the payment of the Cancellation Price are expected to be despatched on or before Thursday, July 13, 2023.

Cheques for the payment of the Cancellation Price will be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as at the Scheme Record Date, or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of Yashili in respect of the relevant joint holding. All such cheques will be posted at the risk of the addressees and none of the Offeror, Mengniu, Yashili, HSBC, other Offeror Concert Parties, the Independent Financial Adviser and the branch share registrar of Yashili and their respective ultimate beneficial owners, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Privatization Proposal will be responsible for any loss or delay in transmission.

On or after the day being six calendar months after the posting of such cheques, Mengniu shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the name of Mengniu with a licensed bank in Hong Kong selected by Mengniu.

Mengniu shall hold such monies until the expiry of six years from the Scheme Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy Mengniu that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by Mengniu shall include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law.

On the expiry of six years from the Scheme Effective Date, Mengniu shall be released from any further obligation to make any payments under the Scheme and Mengniu shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to, if applicable, any deduction of interest, tax or any withholding tax or any other deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of Yashili will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates for the Scheme Shares will cease to have effect as documents or evidence of title as from the Scheme Effective Date, which is expected to be on Tuesday, July 4, 2023 (Cayman Islands time). Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Privatization Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

## **18. TAXATION AND INDEPENDENT ADVICE**

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Privatization Proposal or the Scheme, and in particular, whether the receipt of the Cancellation Price would make them liable to taxation in Hong Kong or in other jurisdictions.

**It is emphasized that none of Mengniu, the Offeror, other Offeror Concert Parties, Yashili or any of their respective directors, officers, associates or professional advisers or any other person involved in the Privatization Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation or other effects on, or liabilities of, any persons as a result of their acceptance or rejection, or the implementation of, of the Privatization Proposal.**

## **19. COURT MEETING AND THE SCHEME EGM**

### **Court Meeting**

In accordance with the directions of the Court, the Court Meeting will be held for the purpose of considering, and if thought fit, passing a resolution by way of a poll to approve the Scheme (with or without modification(s)).

All Scheme Shareholders whose names appear on the register of members of Yashili as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting, **provided that** only the votes of the Disinterested Scheme Shareholders will be counted for the purposes of determining whether the requirements in paragraphs (a)(ii) and (a)(iii) in the section headed “5. Conditions to the Privatization Proposal and the Scheme” and the requirements set out in the section headed “7. Additional Requirements as imposed by Rule 2.10 of the Takeovers Code” above in this Explanatory Memorandum are satisfied in accordance with the Takeovers Code.

Notice of the Court Meeting is set out in Appendix V to this Scheme Document. The Court Meeting will be held at 10:00 a.m. on Friday, June 23, 2023 at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong.

### **Scheme EGM**

All Yashili Shareholders whose names appear on the register of members of Yashili as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Scheme EGM on: (a) the special resolution to approve and give effect to any reduction of the issued share capital of Yashili associated with the cancellation of the Scheme Shares; and (b) the ordinary resolution to simultaneously maintain the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the cancellation of the Scheme Shares to pay up in full at par such number of new Yashili Shares as is equal to the number of Scheme Shares cancelled, for issuance to the Offeror.

The special resolution described in the paragraph above will be passed if not less than 75% of the votes cast by the Yashili Shareholders, present and voting in person or by proxy at the Scheme EGM, are in favour of the special resolution. The ordinary resolution described in the paragraph above will be passed if a simple majority of the votes cast by the Yashili Shareholders, present and voting in person or by proxy at the Scheme EGM, are in favour of the ordinary resolution.

At the Scheme EGM, the resolutions will be put to the vote by way of poll under article 66 of the articles of association of Yashili and as required by Rule 13.39(4) of the Listing Rules. Each Yashili Shareholder present and voting, either in person or by proxy, will be entitled to vote all of such Yashili Shareholder's Yashili Shares in favour of (or against) the resolutions. Alternatively, such Yashili Shareholder may vote some of their Yashili Shares in favour of the resolutions and any of the balance of their Shares against the resolutions (and vice versa).

Notice of the Scheme EGM is set out in Appendix VI to this Scheme Document. The Scheme EGM will be held at the same place and on the same date at 11:00 a.m. (or as soon as practicable after the conclusion or adjournment of the Court Meeting).

If the requisite approval is obtained at the Court Meeting and the resolutions are passed at the Scheme EGM, the Court hearing will be held for the Court to hear the petition to sanction the Scheme. The hearing to sanction the petition is listed to be heard on Thursday, June 29, 2023 at 10:00 a.m. (Cayman Islands time). Any Scheme Shareholder who voted at the Court Meeting and any Beneficial Owner who gave voting instructions to a custodian or a clearing house who voted at the Court Meeting have the right to attend, or appear by counsel, and be heard on the hearing of the petition.

## **20. ACTIONS TO BE TAKEN**

The summary of actions to be taken by the Yashili Shareholders can be found in the section headed "Actions to be Taken" in Part III of this Scheme Document.

## **21. OVERSEAS HOLDER OF THE SCHEME SHARES**

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong and the Cayman Islands, the Takeovers Code and the Listing Rules, and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of any other jurisdiction.

The making of the Privatization Proposal to and acceptance of the Privatization Proposal by the holders of the Scheme Shares who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such holders of the Scheme Shares are located. Such holders of the Scheme Shares should inform themselves about and observe any applicable legal or regulatory requirements of their own jurisdictions. Mengniu, the Offeror and Yashili do not represent that this Scheme Document may be lawfully distributed in any such jurisdiction, or assume any responsibility for facilitating any such distribution or offering. It is the responsibility of any overseas holders of the Scheme Shares wishing to accept the Privatization Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any taxes, duties and other amounts required to be paid by holders of the Scheme Shares in such jurisdictions. Mengniu, the Offeror and Yashili expressly decline any liability for breach of any of these restrictions by any persons.

As at the Latest Practicable Date, there was no overseas Yashili Shareholder whose address as shown in the register of members of Yashili was outside Hong Kong.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to Mengniu, the Offeror and Yashili and their respective advisers, including HSBC, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

## **22. COSTS OF THE SCHEME**

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Privatization Proposal is either not recommended by the Yashili Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by Yashili and the Offeror in connection with the Scheme shall be borne by the Offeror.

Given that the Privatization Proposal is recommended by the Yashili Independent Board Committee, and is recommended as fair and reasonable by the Independent Financial Adviser, Rule 2.3 of the Takeovers Code is not applicable. Yashili, Mengniu and the Offeror have agreed that: (a) all costs, fees, charges and expenses incurred by Yashili and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by Yashili; (b) all costs, fees, charges and expenses incurred by Mengniu and the Offeror and/or their advisers and counsels will be borne by Mengniu and the Offeror; and (c) other costs, fees, charges and expenses of the Scheme and the Privatization Proposal will be shared between the Offeror and Yashili equally.

**23. RECOMMENDATION**

Your attention is drawn to the following:

- (a) The paragraph headed “18. Recommendation” in the letter from the Yashili Board set out in Part V of this Scheme Document;
- (b) The letter from the Yashili Independent Board Committee set out in Part VI of this Scheme Document; and
- (c) The letter from the Independent Financial Adviser set out in Part VII of this Scheme Document.

**24. FURTHER INFORMATION**

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

Yashili Shareholders (including but not limited to Scheme Shareholders and Disinterested Scheme Shareholders) should rely only on the information contained in this Scheme Document. None of Mengniu, the Offeror, Yashili or any of their respective directors, employees, officers, agents, advisers, associates and affiliates or any other persons involved in the Privatization Proposal has authorized anyone to provide you with information that is different from what is contained in this Scheme Document.

**25. LANGUAGE**

In case of inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

**1. FINANCIAL SUMMARY**

Set out below is a summary of the audited consolidated financial information of the Yashili Group for each of the three years ended December 31, 2020, December 31, 2021 and December 31, 2022. The figures for the year ended December 31, 2020, December 31, 2021 and December 31, 2022 are extracted from the annual reports of Yashili for the respective years.

The auditors' reports issued by the auditors of the Yashili Group, Ernest & Young, in respect of the audited consolidated financial statements of the Yashili Group for each of the two years ended December 31, 2020 and December 31, 2021, and KPMG, in respect of the audited consolidated financial statements of the Yashili Group for the year ended December 31, 2022, did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

There was no item which was exceptional because of its size, nature or incidence that was recorded in the audited consolidated financial statements of the Yashili Group for each of the financial years ended December 31, 2020, December 31, 2021 and December 31, 2022.

Save as disclosed below, there are no other items of income or expenses which are material to the Yashili Group for each of the three years ended December 31, 2020, December 31, 2021 and December 31, 2022.



## APPENDIX I FINANCIAL INFORMATION OF THE YASHILI GROUP

### Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Revenue	3,649,206	4,434,700	3,738,212
Cost of sales	(2,315,373)	(2,974,679)	(2,687,867)
<b>Gross Profit</b>	<b>1,333,833</b>	<b>1,460,021</b>	<b>1,050,345</b>
Other income and gains	102,039	59,461	125,149
Selling and distribution expenses	(1,039,102)	(1,146,819)	(1,088,206)
Administrative expenses	(186,582)	(239,301)	(233,132)
Provision of impairment of financial assets, net	(3,758)	(2,669)	(153)
Other expenses and losses	(151,509)	(275,542)	(83,432)
Finance income	88,470	72,948	50,054
Finance costs	(13,712)	(21,181)	(23,528)
<b>Profit/(Loss) before tax</b>	<b>129,679</b>	<b>(93,082)</b>	<b>(202,903)</b>
Income tax (expense)/credit	(28,598)	11,719	(27,814)
<b>Profit/(Loss) for the year attributable to owners of Yashili</b>	<b>101,081</b>	<b>(81,363)</b>	<b>(230,717)</b>
Earnings/(Loss) per share:			
Basic and diluted ( <i>RMB cents</i> )	2.1	(1.7)	(4.9)
<b>Other comprehensive income for the year</b>			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	(53,861)	(114,335)	18,393
Other comprehensive income for the year, net of tax	(53,861)	(114,335)	18,393
<b>Total comprehensive income for the year</b>	<b>47,220</b>	<b>(195,698)</b>	<b>(212,324)</b>
<b>Dividend paid to owners of Yashili</b>	—	—	—
Dividend per Yashili Share ( <i>RMB</i> )	—	—	—

## **2. CONSOLIDATED FINANCIAL STATEMENTS**

Yashili is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Yashili Group for the year ended December 31, 2020 (the “**FY2020 Financial Statements**”), (ii) the audited consolidated financial statements of the Yashili Group for the year ended December 31, 2021 (the “**FY2021 Financial Statements**”), and (iii) the audited consolidated financial statements of the Yashili Group for the year ended December 31, 2022 (the “**FY2022 Financial Statements**”), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The FY2020 Financial Statements, FY2021 Financial Statements and FY2022 Financial Statements are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and Yashili (<http://www.yashili.hk>):

- The FY2020 Financial Statements have been set out on pages 136 to 266 of the annual report 2020 of Yashili (“**2020 Annual Report**”) published on April 20, 2021. Please also see below the link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0420/2021042001509.pdf>

- The FY2021 Financial Statements have been set out on pages 130 to 256 of the annual report 2021 of Yashili (“**2021 Annual Report**”) published on April 27, 2022. Please also see below the link to the 2021 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701121.pdf>

- The FY2022 Financial Statements have been set out on pages 129 to 240 of the annual report 2022 of Yashili (“**2022 Annual Report**”) published on April 26, 2023. Please also see below the link to the 2022 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042601729.pdf>

The FY2020 Financial Statements, FY2021 Financial Statements and FY2022 Financial Statements (but not any other part of the 2020 Annual Report, 2021 Annual Report and 2022 Annual Report in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

**3. STATEMENT OF INDEBTEDNESS**

As at the close of business on March 31, 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Scheme Document, the total outstanding interest-bearing bank and other borrowings of the Yashili Group were as follows:

	<b>Total</b>	<b>Secured and unguaranteed</b>	<b>Unsecured and unguaranteed</b>
		<i>(RMB'000)</i>	
Bank loans	791,200	284,200	507,000
Lease liabilities	8,011	—	8,011

As of March 31, 2023, certain bank loans of the Yashili Group were secured by the following assets:

	<i>RMB'000</i>
Pledged deposits	<u><u>98,840</u></u>

Save as set out above or as otherwise disclosed herein, and apart from intra-group liabilities, as of the close of business on March 31, 2023, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

**4. MATERIAL CHANGE**

Save for (a) the completion of the Dumex China Disposal on March 2, 2023 (as one of the Scheme Pre-Conditions) as set out in Yashili's announcement dated March 2, 2023; and (b) the Privatization Proposal and the Scheme as set out in the Scheme Document, the Yashili Directors confirm that there has been no material change in the financial or trading position or outlook of the Yashili Group since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Yashili Group were made up, up to and including the Latest Practicable Date.

**5. NET ASSET VALUE OF YASHILI AS ADJUSTED BY THE DEDUCTION OF THE DUMEX CHINA NAV**

For reference purpose only, the adjusted net asset value per share of Yashili as adjusted by the deduction of the Dumex China NAV as of December 31, 2022 is RMB1.02 (equivalent to HK\$1.16 based on the Reference Exchange Rate). This adjusted net asset value per share of Yashili is calculated based on (a) the audited consolidated net asset value of Yashili of approximately RMB5,316 million as of December 31, 2022 as disclosed in the FY2022 Financial Statements, minus (b) the Dumex China NAV of approximately RMB498 million as of December 31, 2022, and divided by (c) the number of Yashili Shares in issue of 4,745,560,296 as of December 31, 2022.

**6. NET ASSET VALUE OF YASHILI AS ADJUSTED BY THE YASHILI PROPERTY VALUATION**

For reference purpose only, the adjusted net asset value per share of Yashili as adjusted by the Yashili Property Valuation as of December 31, 2022 is RMB1.19 (equivalent to HK\$1.36 based on the Reference Exchange Rate). This adjusted net asset value per share of Yashili is calculated based on (a) the audited consolidated net asset value of Yashili of approximately RMB5,316 million as of December 31, 2022 as disclosed in the FY2022 Financial Statements, plus (b) the appreciation of the land use rights and properties held by the Yashili Group (excluding any property interests held by Dumex China) (the “**Relevant Property**”) of approximately RMB409 million, calculated with reference to the difference between (i) the market value of the Relevant Property as set out in the Yashili Property Valuation of approximately RMB1,160 million and (ii) the book value of the Relevant Property as recognized in the FY2022 Financial Statements of approximately RMB751 million, minus (c) the indicative deferred tax liabilities of approximately RMB101 million, calculated based on (x) the appreciation of the Relevant Property of approximately RMB409 million, and (y) the relevant applicable tax rate for properties held under different entities, and divided by (d) the number of Yashili Shares in issue of 4,745,560,296 as of December 31, 2022.

**7. NET ASSET VALUE OF YASHILI AS ADJUSTED BY THE YASHILI PROPERTY VALUATION AND THE DEDUCTION OF THE DUMEX CHINA NAV**

For reference purpose only, the adjusted net asset value per share of Yashili as adjusted by the Yashili Property Valuation and the deduction of the Dumex China NAV as of December 31, 2022 is RMB1.08 (equivalent to HK\$1.24 based on the Reference Exchange Rate). This adjusted net asset value per share of Yashili is calculated based on (a) the audited consolidated net asset value of Yashili of approximately RMB5,316 million as of December 31, 2022 as disclosed in the FY2022 Financial Statements, plus (b) the appreciation of the Relevant Property of approximately RMB409 million, minus (c) the indicative deferred tax liabilities of approximately RMB101 million, minus (d) the Dumex China NAV of approximately RMB498 million, and divided by (e) the number of Yashili Shares in issue of 4,745,560,296 as of December 31, 2022.

*The following is the full text of a letter, summary of values and valuation prepared for the purpose of incorporation in this Scheme Document received from RHL Appraisal Limited, an independent valuer, in connection with its valuation of the properties held by the Yashili Group, which, for the avoidance of doubt, does not include Dumex China, as at February 28, 2023.*



永利行評值顧問有限公司  
**RHL Appraisal Limited**  
Corporate Valuation & Advisory

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Room 1010, 10/F, Star House,  
Tsimshatsui, Hong Kong

31 May 2023

**The Board of Directors**

**Yashili International Holdings Ltd**

Room A, 32/F, COFCO Tower,  
262 Gloucester Road, Causeway Bay,  
Hong Kong

Dear Sirs/Madam,

**INSTRUCTIONS**

We refer to your instruction for us to value the properties (the “**Property**”) held by Yashili International Holding Ltd (the “**Company**”, together with its subsidiaries, which, for the avoidance of doubt, does not include Dumex China, the “**Group**”) located in the People’s Republic of China (the “**PRC**”) and New Zealand. We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 28 February 2023 (the “**Valuation Date**”).

We also refer to the announcement issued by the Company dated 2 March 2023 in relation to completion of the disposal by Yashili International Group Co. Ltd. (雅士利國際集團有限公司) of its 100% equity interest in Dumex Baby Food Co., Ltd. (多美滋嬰幼兒食品有限公司) (“**Dumex China**”) to Danone Asia Pacific Holdings Pte. Ltd. Given that Dumex China was no longer a subsidiary of the Company as of the date of this letter, the property interests held by Dumex China were not included in this valuation.

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

### **BASIS OF VALUATION**

The valuation is our opinion of the market value (“**Market Value**”) which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

### **VALUATION METHODOLOGY**

For Property Nos. 1-3 and 7, the Property comprises of various kinds of buildings like office, workshops, storage and some facilities and structure with specific usage. Due to the nature of the buildings and structures of the Property, there is a lack of sufficient available market data, and thus, we have valued the Property by the depreciation replacement cost method.

Calculation of the depreciated replacement cost is based on an estimate of the market value of the land in its existing use, plus the current cost of new replacement of the buildings and structures, less allowance for physical deterioration and all relevant forms of obsolescence and optimization. For land portion, we have made reference to the market transaction evidence as

available in the locality. Comparable lands of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each land in order to arrive at a fair comparison of market value.

For Property Nos. 4-6 and 8-9, the direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

### **VALUATION CONSIDERATIONS**

In valuing the Property, we have complied with all the requirements contained in Chapter 5, Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission and the International Valuation Standards 2022.

### **VALUATION ASSUMPTION**

In our valuation, unless otherwise stated, we have assumed that:

- i. the owners of the Property have enforceable titles to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the respective unexpired terms as granted;
- ii. no deleterious or hazardous materials or techniques have been used in the construction of the Property;
- iii. the Property is connected to main services and sewers which are available on normal terms; and
- iv. the cost of repairs and maintenance to the buildings of which the Property forms part are shared among all owners of the building, and that there are no onerous liabilities outstanding.

### **TITLE INVESTIGATION**

We have been shown copies of various documents relating to the Property. However, we have not examined the original documents to verify the existing titles to the Property or any amendment which does not appear on the copies handed to us. For properties located in various cities in the



PRC, we have relied considerably on the information given by the Company's PRC legal adviser, Zhong Lun Law Firm, concerning the validity of the titles to the Property. For properties located in New Zealand, we conducted land search on the government's official land record search website.

### **LIMITING CONDITIONS**

We have conducted on-site inspections in February 2023 by our staff Ms. Liu Jing (MSc in Geo-information Science) and Mr. KC Chan (BSc in Surveying).

During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

Should it be discovered that any contamination, subsidence or other latent defect exists in the Property or on adjoining or neighboring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied to a very considerable extent on the information provided by the Group and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas, copies of title certificate, tenancy information and book cost. The plans including but not limited to location plan, site plan, lot index plan, outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Property for reference only and we assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Group. Neither have we verified the correctness of any information supplied to us concerning the Property.

**POTENTIAL TAX LIABILITY**

As advised by the Group, if the Property is to be sold, major potential tax liabilities include:

PRC properties:

- VAT (5% to 9%)
- Land appreciation tax at progressive tax rates from 30% to 60%
- Stamp duty around 0.05%
- Deed tax around 3%

New Zealand properties:

- No property-related tax payable at transaction

The exact amount of tax payable upon realization will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal.

As advised by the Group, the properties are held for self-use and the Group does not have any immediate plan for sale or disposal. The likelihood of the tax liability crystallising is low.

**REMARKS**

We have valued all the properties in Renminbi (RMB).

We have adopted the exchange rate of 1 New Zealand Dollar to 4.2753 RMB for all New Zealand properties.

We enclose herewith the summary of values and the “Property Particulars and Opinion of Value”.

**Jessie X. Chen**  
*MRICS, MSc (Real Estate), BEcon*  
**Senior Associate Director**

**Jenny S. L. Mok**  
*MHKIS, MRICS, BSc(Hons)*  
**Senior Manager**

*Ms. Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 10 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region (including Australia and New Zealand). Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.*

*Ms. Jenny S. L. Mok is a Chartered Surveyor with over 10 years' experience in valuation of properties in HKSAR and mainland China. Ms. Mok is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors.*

## SUMMARY OF VALUES

## Group I — Properties held by the Group in the PRC

No.	Property	Market Value as at 28 February 2023 RMB
1.	An industrial complex located at South of Sihuan East Road and Northwest of Longquan Village, Shuozhou City, Shanxi Province, the PRC 位於中國山西省朔州市四環東路南，龍泉村西北之工業廠房	113,600,000
2.	An industrial complex located at Shengle Economic Park, Hellinger County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 位於中國內蒙古自治區呼和浩特市和林格爾縣盛樂經濟園區之工業廠房	109,760,000
3.	An industrial complex located at Chaoan Avenue and Zhanqian Road junction Southwest corner, Chaoan County, Chaozhou City, Guangdong Province, the PRC 位於中國廣東省潮州市潮安縣潮安大道與站前路交界西南角之工業廠房	218,540,000

No.	Property	Market Value as at 28 February 2023 RMB
4.	A parcel of vacant land located at Dairy Industry Development Zone, Hellinger County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 位於中國內蒙古自治區呼和浩特市和林格爾縣乳業開發區之空地	No commercial value (Reference Value: RMB62,770,000)
5.	3 residential units located at Huayu Hao Ting, Chaoan District, Chaozhou City, Guangdong Province, the PRC 位於中國廣東省潮州市潮安區華裕豪庭之三套住宅	1,580,000
6.	Various office units and car parking space located at Chuangju Business Building, No. 185 Yuexiu South Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC 位於中國廣東省廣州市越秀區越秀南路185號創舉商務大廈之多個辦公室及車位	198,670,000
<b>Sub-Total</b>		<b>642,150,000</b>

## Group II — Properties held by the Group in the New Zealand

No.	Property	Market Value as at 28 February 2023 RMB
7.	An industrial complex located at 1 Yashili Drive, Pokeno, New Zealand 位於新西蘭波基諾鎮雅士利道1號之工業廠房	439,970,000
8.	A vacant industrial land located at 3 Yashili Drive, Pokeno, New Zealand 位於新西蘭波基諾鎮雅士利道3號之工業空地	7,400,000
9.	A vacant industrial land located at 82 McDonald Road, Pokeno, New Zealand 位於新西蘭波基諾鎮麥當勞路82號之工業空地	7,740,000
	<b>Sub-Total</b>	<u>455,110,000</u>
	<b>Total</b>	<u>1,097,260,000</u>
	<b>Total (including the Reference Value of property no.4)</b>	<u><u>1,160,030,000</u></u>

## Group I — Properties held by the Group in the PRC

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2023 RMB
1.	An industrial complex located at South of Sihuan East Road and Northwest of Longquan Village, Shuozhou City, Shanxi Province, the PRC  位於中國山西省朔州市四環東路南，龍泉村西北之工業廠房	The property comprises an industrial complex which mainly consists of workshops, office, storages and other facilities erected over a parcel of land with a site area of approximately 245,200 sq.m. (2,639,311 sq.ft.).  The main portion of the property with a gross floor area of 65,526.34 sq.m. (705,320 sq.ft.) was completed in between 2008 to 2014.  The land use rights of the property have been granted for a term of 50 years commencing on 21 May 2007 and expiring on 1 February 2057 for industrial use.	The property is owner-occupied.	113,600,000 (RENMINBI ONE HUNDRED THIRTEEN MILLION AND SIX HUNDRED THOUSAND ONLY)

*Notes:*

- Pursuant to a State-Owned Construction Land Grant Contract — GF-2000-2601, entered into between 中國山西省朔州市應縣國土資源局 and 山西雅士利乳業有限公司 (“**Shan Xi Yashili**”), a wholly-owned subsidiary of the Company, dated 1 February 2007, the land with a total site area of approximately 245,200 sq.m. has been transferred to Shan Xi Yashili for a term of 50 years expiring on 1 February 2057 for industrial use.
- Pursuant to a Land Use Rights Certificate — Ying Guo Yong (2007) No.2014 (應國用(2007)第2014號) dated 21 May 2007, the land use rights of the property with a site area of approximately 245,200 sq.m. were granted to Shan Xi Yashili for a term of 50 years for industrial use.
- Pursuant to a Real Estate Title Certificate — Real Estate Right Certificate Ying Fang Zi No. 01830 (房權證應房字第01830號) dated 31 December 2008, the building ownership of the property with a total gross floor area of approximately 48,430.51 sq.m. was granted to Shan Xi Yashili for industrial use.

4. Pursuant to a Real Estate Title Certificate — Ying County Real Estate Right Certificate Ying Fang Zi No. 09583 (應縣房權證應房字第09583號) dated 2 April 2014, the building ownership of the property with a total gross floor area of approximately 17,905.83 sq.m. was granted to 應縣雅士利乳業有限公司 for industrial use.

However, according to the legal opinion by the Group's PRC legal advisor, Zhong Lun Law Firm, the company “應縣雅士利乳業有限公司” does not exist, and it is not the former name of Shan Xi Yashili. According to the title registration document dated 2 February 2023, the registered owner is Shan Xi Yashili.

5. We have been provided with a legal opinion by the Group's PRC legal advisor, Zhong Lun Law Firm, regarding the legal title of the property, which contains, *inter alia*, the followings:
- i. the property is legally held by Shan Xi Yashili;
  - ii. Shan Xi Yashili is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and
  - iii. the property is free from any other mortgage or third parties' encumbrance.

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2023 RMB
2.	An industrial complex located at Shengle Economic Park, Hellinger County, Hohhot City, Inner Mongolia Autonomous Region, the PRC  位於中國內蒙古自治區呼和浩特市和林格爾縣盛樂經濟園區之工業廠房	The property comprises an industrial complex which mainly consists of workshops, office, storages and other facilities erected over a parcel of land with a site area of approximately 159,226.65 sq.m. (1,713,901 sq.ft.).  The main portion of the property with a gross floor area of 43,039.68 sq.m. (463,275 sq.ft.) was completed in 2011.  The land use rights of the property have been granted for a term of 50 years commencing on 12 June 2004 and expiring on 29 October 2054 for industrial use.	The property is owner-occupied.	109,760,000 (RENMINBI ONE HUNDRED NINE MILLION AND SEVEN HUNDRED SIXTY THOUSAND ONLY)

*Notes:*

- Pursuant to a Land Use Rights Certificate — Hellinger County Guo Yong (2006) No.0000068 (和林格爾縣國用(2006字第0000068號) dated 12 June 2006, the land use rights of the property with a site area of approximately 159,226.65 sq.m. were granted to 內蒙古蒙牛阿拉乳製品有限責任公司 for a term of 50 years for industrial use.

According to the legal opinion by the Group's PRC legal advisor, Zhong Lun Law Firm, 內蒙古蒙牛阿拉乳製品有限責任公司 is the historical name of 內蒙古歐世蒙牛乳製品有限責任公司 (“**Inner Mongolia Oushi**”), a wholly-owned subsidiary of the Company.

- Pursuant to a Real Estate Title Certificate — Meng Real Estate Right Certificate Inner Mongolia Autonomous Region Zi No. 183031101109 (蒙房權證內蒙古自治區字第183031101109號) dated 10 June 2011, the building ownership of the property with a total gross floor area of approximately 43,039.68 sq.m. was granted to Inner Mongolia Oushi for workshop use.



3. We have been provided with a legal opinion by the Group's PRC legal advisor, Zhong Lun Law Firm, regarding the legal title of the property, which contains, *inter alia*, the followings:
  - i. the property is legally held by Inner Mongolia Oushi;
  - ii. Inner Mongolia Oushi is entitled to transfer, lease, mortgage or dispose of the property freely in the market;  
and
  - iii. the property is free from any other mortgage or third parties' encumbrance.

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2023 RMB
3.	<p>An industrial complex located at Chaoan Avenue and Zhanqian Road junction Southwest corner, Chaoan County, Chaozhou City, Guangdong Province, the PRC</p> <p>位於中國廣東省潮州市潮安縣潮安大道與站前路交界西南角之工業廠房</p>	<p>The property comprises an industrial complex which mainly consists of workshops, office, storages and other facilities erected over a parcel of land with a site area of approximately 124,670 sq.m. (1,341,937 sq.ft.).</p> <p>The main portion of the property with a gross floor area of 81,650.55 sq.m. (878,879 sq.ft.) was completed in 2018.</p> <p>The land use rights of the property have been granted for a term of 50 years commencing on 18 July 2005 and expiring on 17 July 2055 for workshop and supporting facilities use.</p>	The property is owner-occupied.	<p>218,540,000 (RENMINBI TWO HUNDRED EIGHTEEN MILLION AND FIVE HUNDRED FORTY THOUSAND ONLY)</p>

*Notes:*

- Pursuant to the Land Use Rights Certificate — An Guo Yong (2015) No. Te 2473 (安國用(2015)第特2473號) dated 2 March 2015, the land use rights of the property with a site area of approximately 124,670 sq.m. were granted to 雅士利國際集團有限公司 (“**Yashili International**”), a wholly-owned subsidiary of the Company, for a term of 50 years for workshop and supporting facilities use.

2. Pursuant to various Real Estate Title Certificates — Yue (2018) Chaozhou City Chaoan District Real Estate No. 0000327-0000337 (粵(2018)潮州市潮安區不動產權第0000327-0000337號) dated 9 May 2018, the building ownership of the property with a total gross floor area of approximately 81,650.55 sq.m. was granted to Yashili International with details as below:

Certificate No.	Building	Current Usage	No. of Storey	Approximate GFA (sq.m.)
(2018)0000333	Block A	Milk Powder Workshop	2	11,203.23
(2018)0000330	Block B	Milk Powder Workshop	2	9,987.23
(2018)0000336	Block C	Milk Powder Workshop	2	10,413.15
(2018)0000337	Block D	Canning Workshop	2	6,025.70
(2018)0000331	Block E	Tenanted Workshop	4	13,606.38
(2018)0000329	Block F	Carton Workshop	4	15,773.76
(2018)0000335	Block G	Waiting Building	5	12,838.40
(2018)0000332	Block H	Driver Lounge	1	63.00
(2018)0000327	Block I	Power Room	1	380.70
(2018)0000328	Block J	Boiler Room	1	1,299.00
(2018)0000334	Block K	Staff Supermarket	1	60.00
<b>Total:</b>				<b>81,650.55</b>

3. We have been provided with a legal opinion by the Group's PRC legal advisor, Zhong Lun Law Firm, regarding the legal title of the property, which contains, *inter alia*, the followings:
- i. the property is legally held by Yashili International;
  - ii. Yashili International is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and
  - iii. the property is free from any other mortgage or third parties' encumbrance.

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2023 RMB
4.	A parcel of vacant land located at Dairy Industry Development Zone, Hellinger County, Hohhot City, Inner Mongolia Autonomous Region, the PRC  位於中國內蒙古自治區呼和浩特市和林格爾縣乳業開發區之一塊空地	The property is a parcel of land with site area of approximately 209,236.18 sq.m. (2,252,199 sq.ft.).  The land use rights of the property have been granted for a term of 50 years commencing on 23 December 2022 and expiring on 22 December 2072 for industrial use.	The property is currently vacant and pending for future development.	No commercial value  (*Please see note 2 below)

*Notes:*

- Pursuant to the State-Owned Construction Land Use Right Grant Contract (“**Land Grant Contract**”) — CR202242, entered into between 和林格爾縣人民政府 and 內蒙古牛雅牛乳製品有限責任公司 (“**Inner Mongolia Niuya**”), a wholly-owned subsidiary of the Company, dated 16 December 2022, the land with a total site area of approximately 209,236.18 sq.m. has been transferred to Inner Mongolia Niuya for a term of 50 years expiring on 22 December 2072 for industrial use at a consideration of RMB62,770,854.

According to the Land Grant Contract, the land cannot be freely transferred, leased or mortgaged until completion of over 25% of development investment.

- As the property has not been granted with real estate title certificate as at the Valuation Date, we have therefore attributed no commercial value to the property. For reference purpose only, assuming that the property can be freely transferred, leased or disposed of in the market, the reference value (“**Reference Value**”) of the property as at the Valuation Date is RMB62,770,000, and no allowance for any payable land grant premium, taxation, administrative fees or any removal or demolition expenses have been considered in this valuation.

As provided, the Group obtained the real estate title certificate of the property on 21 April 2023, i.e. after the Valuation Date. Pursuant to the Real Estate Title Certificate — Meng (2023) Hellinger County Real Estate Title Certificate No. 0002039 (蒙(2023)和林格爾縣不動產權第0002039號) dated 21 April 2023, the land use rights of the property with a site area of approximately 209,236.18 sq.m. were granted to Inner Mongolia Niuya for a term of 50 years for industrial use.

- As advised by Company, portions of the property will be developed into factory with total gross floor area of 87,227.95 sq.m. at the budgeted cost of around RMB340 million. The development is expected to be completed by May 2024. Upon completion, the estimated gross development value of this portion of the property is around

RMB360 million. And there is no immediate development plan for the remaining portion of the property. However, no land planning certificate or construction work certificate has been obtained. During our recent site inspection, the property is under land formation work.

4. We have been provided with a legal opinion by the Group's PRC legal advisor, Zhong Lun Law Firm, regarding the legal title of the property, which contains, *inter alia*, the followings:
  - i. Up to 3 February 2023, Inner Mongolia Niuya has not obtained the real estate title certificate of the property; therefore, Inner Mongolia Niuya has not yet become the registered owner of the property; Pursuant to site inspection dated 3 February 2023, the property is under preliminary construction, however, no construction planning permit and construction commencement permit has been granted. As advised by the Group, they have informed local government about the commencement of works and the relevant construction permits are in the process of application, however the risk of punishment by government for non-compliant construction cannot be completely ruled out. According to the urban and rural planning law, for construction without obtaining a construction planning permit shall be ordered to be stopped; for the work that can be kept, corrective action shall be completed within required timeline and a fine of 5% to 10% of the construction cost shall be imposed; for the work cannot be kept, demolition shall be requested and a fine of less than 10% of the construction cost may be imposed. According to Article 12 of the "Administrative Measures for Construction Permits for Construction Projects (2021 Revision)": "Whoever constructs without obtaining a construction commencement permit or decomposes a project to avoid obtaining a construction permit shall be stopped by the authority and be corrected within a time limit, and impose a fine of 1% to 2% of the construction cost"; and
  - ii. Although the title certificate has not been obtained, the Group had settled all the land premiums and taxes and is in the process of applying for the real estate title certificate. Zhong Lun Law Firm, the Group's PRC legal advisor, is of the view that there is no legal impediment for the Group to obtain the real estate title certificate of the property.

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2023 RMB
5.	3 residential units located at Huayu Hao Ting, Chaoan District, Chaozhou City, Guangdong Province, the PRC  位於中國廣東省潮州市潮安區華裕豪庭之三套住宅	Huayu Hao Ting is a large-scale residential development consisting of various residential blocks, retail and car parking space.  The property comprises three residential units with a total gross floor area of approximately 457.67 sq.m. (18,020 sq.ft.) completed in 2005.  The land use rights of the property have been granted for a term of 50 years commencing on 30 November 1999 and expiring on 29 November 2049 for residential use.	The property is owner-occupied.	1,580,000 (RENMINBI ONE MILLION FIVE HUNDRED AND EIGHTY THOUSAND ONLY)

## Notes:

- Pursuant to three Real Estate Title Certificates dated 9 May 2018, the building ownership of the property with a total gross floor area of approximately 457.67 sq.m. was granted to 雅士利國際集團有限公司 (“Yashili International”), a wholly-owned subsidiary of the Company, for residential use with details as below:

Certificate No.	Property	Approximate GFA (sq.m.)
2000000647	Block 14 Room 402	155.79
2000000645	Block 15 Room 501	146.86
2000000646	Block 16 Room 402	155.02
<b>Total</b>		<b>457.67</b>

2. We have been provided with a legal opinion by the Group's PRC legal advisor, Zhong Lun Law Firm, regarding the legal title of the property, which contains, *inter alia*, the followings:
  - i. the property is legally held by Yashili International;
  - ii. Yashili International is entitled to transfer, lease, mortgage or dispose of the property freely in the market;  
and
  - iii. the property is free from any other mortgage or third parties' encumbrance.

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2023 RMB
6.	Various office units and car parking spaces located at Chuangju Business Building, No. 185 Yuexiu South Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	The property comprises various office units on levels 8-18 and various car parking spaces at basement of a 29-storey office building completed in about 2007.	Portion of the property with a total gross floor area of about 2,647.38 sq.m. is owner occupied for self-use; the other with 5,087.78 sq.m. is subject to various tenancy agreements with a total annual rental income of approximately RMB6,188,514; and the remaining portion is currently vacant.	198,670,000 (RENMINBI ONE HUNDRED NINETY EIGHT MILLION AND SIX HUNDRED SEVENTY THOUSAND ONLY)
	位於中國廣東省廣州市越秀區越秀南路185號創舉商務大廈之多個辦公室及車位	The total gross floor area of office units and car parking spaces are approximately 9,858.28 sq.m. (106,114 sq.ft.) and 177.28 sq.m. (1,908 sq.ft) (total 15 no. of car parking spaces) respectively.		
		The land use rights of the property have been granted for a term of 50 years commencing on 15 October 2004 and expiring on 14 October 2054 for office and car parking use.		



*Notes:*

1. Pursuant to 15 Real Estate Title Certificates dated 8 July 2017, the building ownership of the property with a total gross floor area of approximately 177.28 sq.m. was granted to 雅士利國際嬰幼兒營養品有限公司 (“Yashili Infant”), a wholly-owned subsidiary of the Company, for car parking use with details as below:

<b>Certificate No.</b>	<b>Floor</b>	<b>Property</b>	<b>Approximate GFA (sq.m.)</b>
(2017) 00042846	-1/F	B101	11.95
(2017) 00042847	-1/F	B102	11.56
(2017) 00042848	-1/F	B103	11.56
(2017) 00042849	-1/F	B104	11.95
(2017) 00042850	-1/F	B202	11.69
(2017) 00042851	-1/F	B203	11.69
(2017) 00042852	-1/F	B204	11.99
(2017) 00042853	-1/F	B222	12.14
(2017) 00042854	-1/F	B223	11.53
(2017) 00042855	-1/F	B224	12.14
(2017) 00042856	-1/F	B225	13.06
(2017) 00042857	-1/F	B226	10.72
(2017) 00042858	-1/F	B232	11.60
(2017) 00042859	-1/F	B233	11.60
(2017) 00042860	-1/F	B234	12.10
<b>Total</b>			<b>177.28</b>

2. Pursuant to 31 Real Estate Title Certificates dated 8 July 2017, the building ownership of the property with a total gross floor area of approximately 9,858.28 sq.m. was granted to 雅士利國際嬰幼兒營養品有限公司 (“Yashili Infant”) for office use with details as below:

Certificate No.	Floor	Property	Approximate GFA (sq.m.)
(2017) 00042771	8	801	507.71
(2017) 00042772	8	802	268.12
(2017) 00042773	8	803	285.73
(2017) 00042843	9	901	507.71
(2017) 00042844	9	902	268.12
(2017) 00042845	9	903	285.73
(2017) 00042744	10	1001	323.13
(2017) 00042745	10	1002	224.82
(2017) 00042746	10	1003	334.51
(2017) 00042748	11	1101	323.13
(2017) 00042749	11	1102	224.82
(2017) 00042750	11	1103	334.51
(2017) 00042751	12	1201	323.13
(2017) 00042752	12	1202	224.82
(2017) 00042753	12	1203	334.51
(2017) 00042754	13	1301	323.13
(2017) 00042755	13	1302	224.82
(2017) 00042756	13	1303	334.51
(2017) 00042757	14	1401	323.13
(2017) 00042758	14	1402	224.82
(2017) 00042759	14	1403	334.51
(2017) 00042760	15	1501	323.13
(2017) 00042761	15	1502	224.82
(2017) 00042762	15	1503	334.51
(2017) 00042763	16	1601	323.13
(2017) 00042764	16	1602	224.82
(2017) 00042765	16	1603	334.51
(2017) 00042766	17	1701	413.73
(2017) 00042767	17	1702	365.24
(2017) 00042768	18	1801	413.73
(2017) 00042769	18	1802	365.24
<b>Total</b>			<b>9,858.28</b>

3. We have been provided with a legal opinion by the Group’s PRC legal advisor, Zhong Lun Law Firm regarding the legal title of the property, which contains, *inter alia*, the followings:

- i. the property is legally held by Yashili Infant;
- ii. Yashili Infant is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and
- iii. the property is free from any other mortgage or third parties’ encumbrance.

## Group II — Properties held by the Group in the New Zealand

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2023 RMB
7.	An industrial complex located at 1 Yashili Drive, Pokeno, New Zealand  新西蘭波基諾鎮雅士利道1號之工業廠房	The property comprises an industrial complex which mainly consists of workshops, office, storages and other facilities erected over a parcel of land with a site area of approximately 67,115 sq.m. (722,420 sq.ft.).  The main portion of the property with a gross floor area of 35,365.10 sq.m. (380,667 sq.ft.) was completed in around 2015.  The land use rights of the property was fee simple hold for industrial use.	The property is owner-occupied for industrial use.	439,970,000 (RENMINBI FOUR HUNDRED THIRTY NINE MILLION AND NINE HUNDRED SEVENTY THOUSAND ONLY)

## Notes:

- Pursuant to the Agreement For Sale and Purchase of Real Estate entered into between Pokeno Village Holdings Limited and Yashili New Zealand Dairy Company Limited (“**Yashili New Zealand**”), a wholly-owned subsidiary of the Company, dated 13 December 2012, the land with a total site area of approximately 67,115 sq.m. has been transferred to Yashili New Zealand for industrial use.
- Pursuant to the Record of Title Under Land Transfer Act 2017 Freehold, identifier No. 629614 dated 31 January 2023, the land with a total site area of approximately 67,115 sq.m. has been fee simple hold by Yashili New Zealand.
- According to the Proposed District Plan from New Zealand Government Waikato District Council, the land use zoning of the property is general industrial zone.
- According to the Area Calculation Breakdown from DLA Architects Limited, the factory has a total gross floor area of approximately 35,365.10 sq.m.
- The property is subject to a mortgage in favor of ANZ Bank New Zealand Limited. However, we have not taken into account such mortgage in our valuation.

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2023 RMB
8.	A vacant industrial land located at 3 Yashili Drive, Pokeno, New Zealand  新西蘭波基諾鎮雅士利道3號之工業空地	The property is a parcel of land with site area of approximately 20,323 sq.m. (218,755 sq.ft.).  The land use rights of the property was fee simple hold for industrial use.	The property is currently vacant and as advised, there is no immediate development plan.	7,400,000 (RENMINBI SEVEN MILLION AND FOUR HUNDRED THOUSAND ONLY)

*Notes:*

1. Pursuant to the Agreement For Sale and Purchase of Real Estate entered into between Yashili New Zealand Dairy Company Limited and Aotearoa Nutrients Limited dated 9 September 2018, two parcels of land (Property No. 8 and No. 9 in this report) with a total site area of approximately 41,613 sq.m. have been transferred to Aotearoa Nutrients Limited, a wholly-owned subsidiary of the Company, for industrial use with consideration of New Zealand Dollar 3,440,000.
2. Pursuant to the Record of Title Under Land Transfer Act 2017 Freehold, identifier No. 716004 dated 31 January 2023, the land with a total site area of approximately 20,323 sq.m. has been fee simple hold by Aotearoa Nutrients Limited.
3. According to the Proposed District Plan from New Zealand Government Waikato District Council, the land use zoning of the property is general industrial zone.

## PROPERTY PARTICULARS AND OPINION OF VALUE

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2023 RMB
9.	A vacant industrial land located at 82 McDonald Road, Pokeno, New Zealand  新西蘭波基諾鎮麥當勞路82號之工業空地	The property is a parcel of land with site area of approximately 21,290 sq.m. (229,164 sq.ft.).  The land use rights of the property was fee simple hold for industrial use.	The property is currently vacant and as advised, there is no immediate development plan.	7,740,000 (RENMINBI SEVEN MILLION AND SEVEN HUNDRED FORTY THOUSAND ONLY)

*Notes:*

- Pursuant to the Agreement For Sale and Purchase of Real Estate entered into between Yashili New Zealand Dairy Company Limited and Aotearoa Nutrients Limited dated 9 September 2018, two parcels of land (Property No. 8 and No. 9 in this report) with a total site area of approximately 41,613 sq.m. has been transferred to Aotearoa Nutrients Limited for industrial use with consideration of New Zealand Dollar 3,440,000.
- Pursuant to the Record of Title Under Land Transfer Act 2017 Freehold, identifier No. 716002 dated 31 January 2023, the land with a total site area of approximately 21,290 sq.m. has been fee simple hold by Aotearoa Nutrients Limited.
- According to the Proposed District Plan from New Zealand Government Waikato District Council, the land use zoning of the property is general industrial zone.

## 1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Scheme, the Privatization Proposal, the Mengniu Group and the Yashili Group.

As of the Latest Practicable Date, the Yashili Directors were Mr. Jeffrey, Minfang Lu (Chairman of Yashili) and Mr. Zhang Ping as non-executive directors; Mr. Yan Zhiyuan as executive director; and Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway as independent non-executive directors.

The Yashili Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Mengniu Group, except for that relating to the Yashili Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Mengniu Directors and the Offeror Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As of the Latest Practicable Date, the Mengniu Directors were Mr. Jeffrey, Minfang Lu, Ms. Wang Yan and Mr. Zhang Ping as executive directors; Mr. Chen Lang, Mr. Wang Xi and Mr. Simon Dominic Stevens as non-executive directors; and Mr. Yih Dieter (alias Yih Lai Tak, Dieter), Mr. Li Michael Hankin and Mr. Ge Jun as independent non-executive directors.

The Mengniu Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Yashili Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Yashili Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As of the Latest Practicable Date, the Offeror Directors were Mr. Kwok Wai Cheong and Mr. So Ying Fat.

The Offeror Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Mengniu Group, except for that relating to the Offeror) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those

expressed by the Mengniu Directors and the Yashili Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

## 2. SHARE CAPITAL OF YASHILI

As at the Latest Practicable Date:

- (a) the authorized share capital of Yashili was HK\$1,000,000,000 divided into 10,000,000,000 Yashili Shares;
- (b) the issued and paid-up share capital of Yashili was HK\$474,556,029.6 divided into 4,745,560,296 Yashili Shares;
- (c) all of the issued Yashili Shares ranked *pari passu* in all respects with each other, including the rights in respect of capital, dividend and voting;
- (d) no new Yashili Shares had been issued by Yashili since December 31, 2022, being the end of the last financial year of Yashili, up to and including the Latest Practicable Date; and
- (e) Yashili did not have any outstanding options, warrants or conversion rights affecting the Yashili Shares.

## 3. MARKET PRICES OF YASHILI SHARES

- (a) The table below shows the closing market prices of the Yashili Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) the Unaffected Price Date; (iii) the last trading day immediately preceding the date of the Rule 3.7 Announcement; (iv) the last business day immediately preceding the Rule 3.5 Announcement Date; and (v) at the end of each month during the Relevant Period.

<b>Date</b>	<b>Closing price per Yashili Share HK\$</b>
May 25, 2023 (the Latest Practicable Date)	1.17
March 11, 2022 (the Unaffected Price Date)	0.46
March 14, 2022 (the last trading day immediately preceding the date of the Rule 3.7 Announcement)	0.91
May 5, 2022 (the last business day immediately preceding the Rule 3.5 Announcement Date)	0.92
May 6, 2022 (the Yashili Last Trading Day)	0.92
<i>At the end of each calendar month during the Relevant Period:</i>	
September 30, 2021	0.55
October 29, 2021	0.57
November 30, 2021	0.54
December 31, 2021	0.52
January 31, 2022	0.54
February 28, 2022	0.49
March 31, 2022	0.97
April 29, 2022	0.85
May 31, 2022	1.09
June 30, 2022	1.08
July 29, 2022	1.09
August 31, 2022	1.16
September 30, 2022	1.16
October 31, 2022	1.10
November 30, 2022	1.12
December 30, 2022	1.13
January 31, 2023	1.12
February 28, 2023	1.14
March 31, 2023	1.18
April 28, 2023	1.18

- (b) During the Relevant Period, the highest closing price of the Yashili Shares was HK\$1.18 per Yashili Share as quoted on the Stock Exchange most recently on May 23, 2023 and the lowest closing price of the Yashili Shares was HK\$0.46 per Yashili Share as quoted on the Stock exchange on March 11, 2022.



- (c) The Cancellation Price of HK\$1.20 per Scheme Share represents a premium of approximately 160.9% over the closing price of HK\$0.460 per Yashili Share as quoted on the Stock Exchange on March 11, 2022, being the Unaffected Price Date, and a premium of approximately 2.6% over the closing prices of HK\$1.17 per Yashili Share as quoted on the Stock Exchange on May 25, 2023, being the Latest Practicable Date.

#### 4. DISCLOSURE OF INTERESTS, DEALINGS AND OTHER ARRANGEMENTS

##### 4.1 Yashili Directors' interests and short positions in the Yashili Shares and the Mengniu Shares

As of the Latest Practicable Date, the Yashili Directors had or was deemed to have the following interests or short positions in the shares, underlying shares and debentures of Yashili and its associated corporations (within the meaning of Part XV of the SFO), which (a) have been notified to Yashili and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Yashili Directors are taken and deemed to have under such provisions of the SFO; or (b) are required to be and are recorded in the register required to be kept under section 352 of the SFO; (c) as otherwise notified to Yashili and the Stock Exchange pursuant to the Model Code; or (d) which are required to be disclosed pursuant to the Takeovers Code:

Yashili Directors' positions in the Phantom Shares:

Name of Yashili Director	Capacity/ Nature of interests	Number of reference securities to which the Phantom Shares <sup>(L)(1)</sup> relate	Approximate percentage of the issued share capital <sup>(2)</sup>	Maturity date	Reference price (RMB)
Mr. Yan Zhiyuan	Personal Interest	3,579,640	0.08%	July 15, 2023	0.584
		2,254,320	0.05%	July 15, 2023	0.584
		3,005,760	0.06%	July 15, 2024	0.584

Notes:

- (1) The Phantom Share Incentive Scheme does not involve the grant of options over new shares or other new securities that may be issued by Yashili (or any of its subsidiaries). The Phantom Share Recipients do not own any Yashili Shares, nor enjoy voting rights or allotment rights of the Yashili Shares by virtue of holding the Phantom Shares.

- (2) The calculation is based on the number of Phantom Shares as a percentage of the total number of issued Yashili Shares as at the Latest Practicable Date (being 4,745,560,296 Yashili Shares).
- (L) The interest is held in long position.

Yashili Directors' positions in the shares of Mengniu (being a holding company and an associated corporation of Yashili):

Name of Yashili Director	Capacity/ Nature of interests	Number of Mengniu Shares held <sup>(L)</sup>	Approximate percentage of the issued share capital <sup>(1)</sup>
Mr. Jeffrey, Minfang Lu	Personal Interest	24,000,827 <sup>(2)</sup>	0.61%
Mr. Zhang Ping	Personal Interest	3,731,702 <sup>(3)</sup>	0.09%
Mr. Yan Zhiyuan	Personal Interest	22,255	0.00%

Notes:

- (1) The calculation is based on the number of shares as a percentage of the total number of issued shares of Mengniu as at the Latest Practicable Date (being 3,954,852,068 shares).
- (2) It comprised (i) 664,831 shares of Mengniu granted to Mr. Jeffrey, Minfang Lu under the restricted share award scheme of Mengniu; (ii) 22,645,797 underlying shares of Mengniu in respect of the share options granted to Mr. Jeffrey, Minfang Lu under the share option scheme of Mengniu; and (iii) 690,199 shares of Mengniu pursuant to the exercise of options granted to Mr. Jeffrey, Minfang Lu under the share option scheme of Mengniu. The exercise period and the exercise price of the relevant options held by Mr. Jeffrey, Minfang Lu are as follows:

Number of options	Exercise period	Exercise price (HK\$)
9,312,210	April 1, 2019 – December 23, 2023	23.93
9,375,019	May 11, 2023 – May 11, 2027	40.58
3,958,568	April 1, 2024 – December 30, 2025	35.54

- (3) It comprised (i) 115,983 shares of Mengniu granted to Mr. Zhang Ping under the restricted share award scheme of Mengniu; and (ii) 3,615,719 underlying shares of Mengniu in respect of the share options granted under the share option scheme of Mengniu. The exercise period and the exercise price of the relevant options held by Mr. Zhang Ping are as follows:

<b>Number of options</b>	<b>Exercise period</b>	<b>Exercise price (HK\$)</b>
1,875,430	April 1, 2019 – December 23, 2023	23.93
1,080,528	May 11, 2023 – May 11, 2027	40.58
659,761	April 1, 2024 – December 30, 2025	35.54

- (L) All the shares are held in long position.

Save as disclosed above, as of the Latest Practicable Date, none of the Yashili Directors or the chief executive of Yashili had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of Yashili and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by Yashili pursuant to section 352 of the SFO, which had been notified to Yashili and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, or which are required to be disclosed pursuant to the Takeovers Code.

#### **4.2 Interests and short positions of the Offeror and the Offeror Concert Parties in the Yashili Shares**

Save as disclosed below, as at the Latest Practicable Date, none of the Offeror, its directors and the Offeror Concert Parties (other than the interests disclosed above with respect to the Yashili Directors) was interested within meaning of Part XV of the SFO in any Yashili Shares or any convertible securities, warrants, options or derivatives in respect of any Yashili Shares:

<b>Name</b>	<b>Number of Yashili Shares interested<sup>(5)</sup></b>	<b>Approximate percentage of the issued share capital<sup>(6)</sup></b>
Mengniu <sup>(1)</sup> <sup>(2)</sup>	3,608,507,787	76.04%
Mengniu International <sup>(1)</sup>	2,422,117,713	51.04%
The Offeror <sup>(2)</sup>	1,186,390,074	25.00%

*Notes:*

- (1) As at the Latest Practicable Date, Mengniu held 99.95% interest in Mengniu International, which directly held 2,422,117,713 Yashili Shares.

- (2) As at the Latest Practicable Date, Mengniu directly held all issued share capital of the Offeror.
- (3) All the above shares were held in long position (as defined under Part XV of the SFO).
- (4) The total number of issued Yashili Shares as at the Latest Practicable Date was 4,745,560,296.

As of the Latest Practicable Date:

- (a) no subsidiaries of Yashili, pension funds (if any) of any member of the Yashili Group, any person who is presumed to be acting in concert with Yashili by virtue of class (5) of the definition of “acting in concert” or any associate of Yashili by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) held any Yashili Shares or any convertible securities, warrants, options and derivatives in respect of the Yashili Shares; and
- (b) none of the Yashili Directors held any Yashili Shares.

#### 4.3 Dealings in the securities of Yashili

During the Relevant Period, save as disclosed below and save for the Offeror’s acquisition of Yashili Shares pursuant to the 25% Yashili Acquisition, none of Mengniu, the Offeror, the Mengniu Directors, the Offeror Directors, the Yashili Directors or other Offeror Concert Parties had dealt for value in any Yashili Shares or any convertible securities, warrants, options and derivatives in respect of the Yashili Shares:

##### *Dealings in Phantom Shares*

Name	Date of transaction	Nature of dealing	Number of reference securities to which the Phantom Shares relate	Maturity date/closing out date	Reference price (RMB)	Total amount paid/received (RMB)
Mr. Yan Zhiyuan	July 15, 2022	Acceptance of grant of Phantom Shares	2,125,476	July 15, 2023	0.0000	0.0000
		Acceptance of grant of Phantom Shares	2,125,476	July 15, 2024	0.0000	0.0000

Name	Date of transaction	Nature of dealing	Number of reference securities to which the Phantom Shares relate	Maturity date/closing out date	Reference price (RMB)	Total amount paid/received (RMB)
		Acceptance of grant of Phantom Shares	2,833,968	July 15, 2025	0.0000	0.0000
		Realization of granted Phantom Shares	4,939,050	July 15, 2022	0.5840	2,884,405.20
	March 31, 2023	Cancellation of Phantom Shares	2,125,476	July 15, 2023	0.0000	0.0000
		Cancellation of Phantom Shares	2,125,476	July 15, 2024	0.0000	0.0000
		Cancellation of Phantom Shares	2,833,968	July 15, 2025	0.0000	0.0000

During the offer period and up to the Latest Practicable Date:

- (a) none of the subsidiaries of Yashili, pension funds (if any) of any member of the Yashili Group, any person who is presumed to be acting in concert with Yashili by virtue of class (5) of the definition of “acting in concert” or any associate of Yashili by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) had any dealings in any Yashili Shares or any convertible securities, warrants, options and derivatives in respect of the Yashili Shares;
- (b) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between Yashili, or any person who is presumed to be acting in concert with Yashili by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of Yashili by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;

- (c) no Yashili Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Yashili Shares was managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with Yashili; and
- (d) no fund managers (other than exempt fund managers) connected with Yashili had any dealings in any Yashili Shares or any convertible securities, warrants, options and derivatives in respect of the Yashili Shares.

As of the Latest Practicable Date, none of the Offeror, the Offeror Concert Parties, Yashili or the Yashili Directors had borrowed or lent any Yashili Shares or any convertible securities, warrants, options or derivatives in respect of any Yashili Shares, save for any borrowed Yashili Shares which have been either on-lent or sold.

#### **4.4 Disclosure of interests and dealings in the shares of Mengniu and the Offeror**

- (a) Save as disclosed in the sub-section headed “4.1 Yashili Directors’ interests and short positions in the Yashili Shares and the Mengniu Shares” above, as at the Latest Practicable Date, none of Yashili or any of the Yashili Directors had any interest in the shares of Mengniu or the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of Mengniu or the Offeror.
- (b) Save as disclosed below, during the Relevant Period, none of Yashili or any of the Yashili Directors had any dealings in the shares of Mengniu or the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of Mengniu or the Offeror.

*Dealings in Mengniu Shares*

Name	Date of transaction	Nature of transaction	On/off the Stock Exchange	Number of Mengniu Shares involved	Actual purchase/sale price per share (HK\$)
Mr. Jeffrey, Minfang Lu	December 28, 2022	Sale of Mengniu Shares	On	50,000	36.3
				100,000	36.4
				100,000	36.5
				165,000	36.6
				200,000	36.75
				50,000	36.85
	January 4, 2023	Sale of Mengniu Shares	On	6,000	37
				34,000	36.7
				10,000	37.25
				40,000	37.3
January 5, 2023	Sale of Mengniu Shares	On	60,000	37.4	
			50,000	37.5	
			119,000	38	
			50,000	37.5	
Mr. Zhang Ping	June 27, 2022	Sale of Mengniu Shares	On	470	38.6
				730	38.5
Mr. Yan Zhiyuan	April 28, 2023	Sale of Mengniu Shares	On	60,000	31.8

*Dealings in share options of Mengniu*

Name	Date of transaction	Nature of transaction	Date of taking/ granting the option	Number of Mengniu Shares under the option	Exercise period	Exercise price (HK\$)	Option money paid/ received (HK\$)
Mr. Jeffrey, Minfang Lu	May 11, 2022	Exercise of Mengniu share options	Date of grant: July 13, 2017	865,000	July 13, 2018– July 12, 2022	14.812	12,812,380
	June 1, 2022	Acceptance of grant of Mengniu share options	Date of taking the option: June 1, 2022	2,383,702	May 11, 2023– May 11, 2027	40.58	Not applicable
			Date of grant: May 11, 2022	2,383,702	May 11, 2024– May 11, 2027		
				2,383,701	May 11, 2025– May 11, 2027		
				2,383,701	May 11, 2026– May 11, 2027		
	January 19, 2023	Acceptance of grant of Mengniu share options	Date of taking the option: January 19, 2023	1,979,284	April 1, 2024– December 30, 2025	35.54	Not applicable
		Date of grant: December 30, 2022	1,979,284	April 1, 2025– December 30, 2025			
May 5, 2023	Exercise of Mengniu share options	Date of grant: May 7, 2018	690,199	May 7, 2019– May 6, 2023	26.05	17,979,684	



Name	Date of transaction	Nature of transaction	Date of taking/ granting the option	Number of Mengniu Shares under the option	Exercise period	Exercise price (HK\$)	Option money paid/ received (HK\$)
Mr. Zhang Ping	June 1, 2022	Acceptance of grant of Mengniu share options	Date of taking the option: June 1, 2022	274,736	May 11, 2023– May 11, 2027	40.58	Not applicable
			Date of grant: May 11, 2022	274,736	May 11, 2024– May 11, 2027		
				274,736	May 11, 2025– May 11, 2027		
				274,736	May 11, 2026– May 11, 2027		
	June 27, 2022	Exercise of Mengniu share options	Date of grant: July 13, 2017	470	July 13, 2018– July 12, 2022	14.812	6,962
June 27, 2022	Exercise of Mengniu share options	Date of grant: May 7, 2018	730	May 7, 2019– May 6, 2023	26.050	19,017	
January 19, 2023	Acceptance of grant of Mengniu share options	Date of taking the option: January 19, 2023	329,881	April 1, 2024– December 30, 2025	35.54	Not applicable	
		Date of grant: December 30, 2022	329,880	April 1, 2025– December 30, 2025			
Mr. Yan Zhiyuan	April 28, 2023	Exercise of Mengniu share options	Date of grant: May 7, 2018	30,000	May 7, 2019-May 6, 2023	26.050	781,500
				30,000	May 7, 2020– May 6, 2023	26.050	781,500

**4.5 Other arrangements in relation to the Privatization Proposal**

As at the Latest Practicable Date:

- (a) save for the Proposed Transactions which had been completed, the Privatization Proposal and the Scheme, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Yashili Shares between the Offeror or the Offeror Concert Parties and any other person which might be material to the Privatization Proposal or the Scheme;
- (b) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Yashili Shares to be acquired pursuant to the Privatization Proposal, and the Offeror had no intention to transfer, charge or pledge any Yashili Shares acquired pursuant to the Privatization Proposal to any other person;
- (c) the Offeror had not received any irrevocable commitment to vote for or against the Privatization Proposal;
- (d) save for the Proposed Transactions which had been completed, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any Offeror Concert Party on the one hand and any Yashili Director, recent Yashili Directors, Yashili Shareholders or recent Yashili Shareholders on the other hand, having any connection with or was dependent upon the Privatization Proposal;
- (e) save for the Scheme Pre-Conditions which have been satisfied, and the Scheme Conditions set out in the section headed “5. Conditions to the Privatization Proposal and the Scheme” in the Explanatory Memorandum in Part VIII of this Scheme Document, there was no agreement or arrangement to which the Offeror or Mengniu was a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or condition to the Privatization Proposal;
- (f) save for the Cancellation Price, there is no other consideration, compensation or benefit in whatever form paid or to be paid by Mengniu, the Offeror or other Offeror Concert Parties to the Scheme Shareholders or any party acting in concert with them in connection with the cancellation of the Scheme Shares under the Scheme;

- (g) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between Mengniu, the Offeror or other Offeror Concert Parties on the one hand, and the Scheme Shareholders and any persons acting in concert with them on the other hand;
- (h) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between any Yashili Shareholder on the one hand and the Yashili Group or Yashili's associated companies on the other hand; and
- (i) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Yashili Shares between any person and the Offeror or any Offeror Concert Party.

## 5. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Yashili Directors, no member of the Yashili Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors of Yashili to be pending or threatened by or against any member of the Yashili Group.

## 6. MATERIAL CONTRACTS

Save as disclosed below, Yashili and its subsidiaries have not entered into any material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Yashili Group) after the date two years before the Offer Period Commencement Date and up to the Latest Practicable Date:

- (a) the equity transfer agreement dated May 6, 2022 entered into between Yashili Guangdong as the seller and Danone Asia Pacific Holdings Pte. Ltd. as the buyer with respect to the Dumex China Disposal for the total consideration of RMB870 million on a cash free and debt free basis (subject to customary closing accounts adjustments);
- (b) the business transfer agreements dated September 30, 2022 entered into between Yashili, Yashili Newou and Yashili Maanshan as sellers and Arla and Arla Beijing as buyers with respect to the transfer of the Arla Distribution Business for the total consideration of Euro 15 million and the Yashili-Arla Landed Cost Price;
- (c) the transition services agreement dated September 30, 2022 entered into amongst Yashili Maanshan and Arla, pursuant to which Yashili Maanshan shall provide to Arla and/or its affiliates certain services (including re-registration of products, logistical and

distribution services, information technology services and other services as set forth in the agreement) for 12 months to facilitate and effect the transition of the operation of the Arla Distribution Business after completion of the transfer of the Arla Distribution Business to Arla and Arla Beijing for the Yashili-Arla Transition Services Consideration; and

- (d) the accounts receivables transfer framework agreement dated October 22, 2021 entered into between Mengniu and Yashili, pursuant to which Yashili (on behalf of the Yashili Group) agreed to transfer, and Mengniu (on behalf of the Mengniu Group) agreed to accept, the Yashili Accounts Receivables from November 30, 2021 to December 31, 2023 from time to time and the consideration shall be calculated by reference to the book value of the relevant Yashili Accounts Receivables transferred to the Mengniu Group after deduction of the costs and expenses of the asset-backed securities scheme of Mengniu in respect of such transferred Yashili Accounts Receivables.

## **7. ARRANGEMENTS IN CONNECTION WITH THE YASHILI DIRECTORS**

As at the Latest Practicable Date:

- (a) no arrangement was in place for any benefit (other than statutory compensation required under appropriate laws) to be given, and no benefit (other than statutory compensation required under appropriate laws) would be given, to any Yashili Director as compensation for loss of office or otherwise in connection with the Privatization Proposal;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) between any Yashili Director and any other person which was conditional on or dependent upon the outcome of the Privatization Proposal or otherwise connected with the Privatization Proposal; and
- (c) there were no material contracts entered into by the Offeror in which any Yashili Director has a material personal interest.

## **8. DIRECTORS' SERVICE CONTRACTS**

As of the Latest Practicable Date, none of the Yashili Directors had any service contract with Yashili or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) have been entered into or amended within 6 months

preceding the Offer Period Commencement Date; (b) was a continuous contract with a notice period of 12 months or more; or (c) was a fixed term contract with more than 12 months to run irrespective of the notice period.

## 9. EXPERTS AND CONSENTS

The following is the respective name and qualification of the experts who have given opinion or advice contained in this Scheme Document:

<b>Name</b>	<b>Qualification</b>
The Hongkong and Shanghai Banking Corporation Limited	a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
Somerley Capital Limited	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
RHL Appraisal Limited	an independent qualified valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this Scheme Document, with the inclusion therein of its letter(s), report(s), advice(s) and/or opinion (as the case may be) as set out in this Scheme Document and references to its name in the form and context in which they appear respectively.

## 10. MISCELLANEOUS INFORMATION

- (a) The principal member of the Offeror's concert group is Mengniu.
- (b) The registered office of Mengniu is Maples Corporate Services Limited, P.O. Box 309 Uglund House, Grand Cayman KY1-1104, Cayman Islands and the place of business of Mengniu in Hong Kong is 32/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

- (c) The registered office of the Offeror is Room A, 32/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (d) The registered office of HSBC is 1 Queen's Road Central, Hong Kong.
- (e) The registered office of Yashili is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (f) The company secretary of Yashili is Mr. Kwok Wai Cheong, Chris, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.
- (g) The principal place of business of Yashili in Hong Kong is at Room A, 32/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (h) The Cayman Islands principal share registrar and transfer office of Yashili is Suntera (Cayman) Limited, Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.
- (i) The Hong Kong branch share registrar and transfer office of Yashili is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (a) at the principal place of business of Yashili in Hong Kong at Room A, 32/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays), (b) on the website of Yashili at <http://www.yashili.hk>, and (c) on the website of the SFC at [www.sfc.hk](http://www.sfc.hk) during the period from the date of this Scheme Document until the earlier of (i) the Scheme Effective Date and (ii) the date on which the Scheme lapses or is withdrawn:

- (a) the memorandum and articles of association of Yashili;
- (b) the memorandum and articles of association of Mengniu and the Offeror;
- (c) the 2020, 2021 and 2022 annual reports of Yashili containing the audited consolidated financial statements of Yashili for the years ended December 31, 2020, 2021 and 2022;

- (d) the 2020, 2021 and 2022 annual reports of Mengniu containing the audited consolidated financial statements of Mengniu for the years ended December 31, 2020, 2021 and 2022;
- (e) the letter from the Yashili Board, the text of which is set out in Part V of this Scheme Document;
- (f) the letter from the Yashili Independent Board Committee, the text of which is set out in Part VI of this Scheme Document;
- (g) the letter from Somerley, the text of which is set out in Part VII of this Scheme Document;
- (h) the property valuation report prepared by RHL Appraisal Limited, the text of which is set out in Appendix II to this Scheme Document;
- (i) the written consents of the experts as referred to in the paragraph headed “9. Experts and Consents” in this Appendix;
- (j) the material contracts as referred to in the paragraph headed “6. Material Contracts” in this Appendix; and
- (k) this Scheme Document.

**IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION**

**CAUSE NO. FSD 97 OF 2023 (IKJ)**

**IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT  
(2023 REVISION) AND  
IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995  
(AS REVISED)  
AND IN THE MATTER OF YASHILI INTERNATIONAL HOLDINGS LTD  
雅士利國際控股有限公司**

**SCHEME OF ARRANGEMENT  
BETWEEN  
YASHILI INTERNATIONAL HOLDINGS LTD 雅士利國際控股有限公司  
AND  
THE SCHEME SHAREHOLDERS  
(AS DEFINED BELOW)**

(A) In this scheme of arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “Concert Party(ies)” shall be construed accordingly;
“Cancellation Price”	the cancellation price of HK\$1.20 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme;
“Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands;
“Court”	the Grand Court of the Cayman Islands;



“Court Meeting”	the meeting of the Scheme Shareholders convened at the directions of the Court to be held at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Friday, June 23, 2023, at which the Scheme (with or without modifications) will be voted upon, notice of which is set out in Appendix V to the Scheme Document, or any adjournment thereof;
“Disinterested Scheme Shareholder(s)”	all of the Scheme Shareholders other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, Disinterested Scheme Shareholder(s) shall include any member of the HSBC Group in respect of any Scheme Shares where the beneficial owners of such Scheme Shares are investment clients of a member of the HSBC Group and such beneficial owners (A) control the voting rights attached to such Scheme Shares, (B) give instructions to a member of the HSBC Group as to how such Scheme Shares are to be voted and (C) are not otherwise involved in, or interested in, the Privatization Proposal;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director;
“Explanatory Memorandum”	the explanatory memorandum set out in Part VIII of the Scheme Document;
“Hainan Mengniu”	Hainan Mengniu Technology Development Company Limited* (海南蒙牛科技發展有限公司), a company incorporated in the PRC with limited liability, a wholly and directly owned subsidiary of IM Mengniu;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, being the financial adviser to the Offeror and Mengniu, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong);
“HSBC Group”	HSBC and persons controlling, controlled by or under the same control as HSBC;
“IM Mengniu”	Inner Mongolia Mengniu Dairy (Group) Company Limited* (內蒙古蒙牛乳業(集團)股份有限公司), a company incorporated in the PRC with limited liability, which is owned directly by Mengniu and indirectly through its wholly-owned subsidiaries as to approximately 99.9997%;
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by Yashili, with the approval of the Yashili Independent Board Committee, to advise the Yashili Independent Board Committee in respect of the Privatization Proposal and the Scheme;
“Latest Practicable Date”	May 25, 2023, being the latest practicable date prior to the printing of the Scheme Document for ascertaining certain information in the Scheme Document;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;

“Mengniu”	China Mengniu Dairy Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2319);
“Mengniu Director(s)”	the director(s) of Mengniu;
“Mengniu International”	China Mengniu International Company Limited, a business company incorporated in the British Virgin Islands with limited liability and a 99.95% directly owned subsidiary of Mengniu as of the Latest Practicable Date;
“Mengniu International Exchange Right”	has the meaning ascribed to it in the section headed “9. Shareholding Structure of Yashili” in the Explanatory Memorandum in Part VIII of the Scheme Document;
“Mengniu International Exchange Right Recipients”	shareholders of Mengniu International other than Mengniu;
“Mengniu Intra-group Transfer”	the proposed transfer of all of the shares in the Offeror held by Mengniu to Hainan Mengniu after the Latest Practicable Date;
“Offeror”	Star Future Investment Company Limited 星萊投資有限公司, a company incorporated in Hong Kong with limited liability and a wholly and directly owned subsidiary of Mengniu as of the Latest Practicable Date;

“Offeror Concert Party(ies)”	party(ies) acting in concert with the Offeror in relation to Yashili, including Mengniu, Mengniu International, the Mengniu Directors and the HSBC Group (except for members of the HSBC Group, which are exempt principal traders and/or exempt fund managers in their capacity as such, in each case recognized by the Executive as such for the purposes of the Takeovers Code);
“PRC”	the People’s Republic of China, but for the purpose of the Scheme Document, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“Privatization Proposal”	the proposal for the privatization of Yashili by the Offeror by way of a scheme of arrangement under section 86 of the Companies Act, on the terms and subject to the Scheme Conditions as described in the Scheme Document;
“Scheme”	a scheme of arrangement under section 86 of the Companies Act involving, among other things, the cancellation of all the Scheme Shares and the simultaneous maintenance of the issued share capital of Yashili at the amount immediately prior to the cancellation of the Scheme Shares by the issuance of new Yashili Shares to the Offeror;
“Scheme Condition(s)”	the condition(s) to the Privatization Proposal and the Scheme, as set out in the section headed “5. Conditions to the Privatization Proposal and the Scheme” in the Explanatory Memorandum in Part VIII of the Scheme Document;
“Scheme Document”	the scheme document (of which the Scheme forms part) issued to all Yashili Shareholders containing, <i>inter alia</i> , further details of the Privatization Proposal and notices of the Court Meeting and the Scheme EGM together with the forms of proxy in relation thereto;

“Scheme Effective Date”	the date on which the Scheme, if sanctioned by the Court, becomes effective in accordance with its terms and the Companies Act;
“Scheme EGM”	an extraordinary general meeting of Yashili to be held at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong at 11:00 a.m. on Friday, June 23, 2023 (or as soon as practicable after the conclusion or adjournment of the Court Meeting on the same day and at the same place) for the purposes of considering, and if thought fit, approving all resolutions necessary to implement the Privatization Proposal and the Scheme, notice of which is set out in Appendix VI to the Scheme Document, or any adjournment thereof;
“Scheme Long Stop Date”	January 31, 2024 (or any other date as may be agreed by the Offeror and Yashili or, to the extent applicable, as permitted by the Executive and/or as the Court may direct);
“Scheme Record Date”	Tuesday, July 4, 2023, or such other date as shall have been announced by Yashili, being the record date for the purpose of determining entitlements of the Scheme Shareholders under the Scheme;
“Scheme Share(s)”	all of the Yashili Shares in issue and such further Yashili Shares as may be issued prior to the Scheme Record Date, other than those held by Mengniu (directly or indirectly), Mengniu International and the Offeror;
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Shares;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong;
“Yashili”	Yashili International Holdings Ltd 雅士利國際控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1230);
“Yashili Board”	the board of directors of Yashili;
“Yashili Independent Board Committee”	the independent board committee of Yashili established by the Yashili Board to make a recommendation to the Disinterested Scheme Shareholders in respect of the Privatization Proposal and the Scheme;
“Yashili Share(s)”	the ordinary share(s) of par value HK\$0.10 each in the share capital of Yashili; and
“Yashili Shareholder(s)”	the registered holder(s) of the Yashili Shares.

\* *For identification purposes only*

- (B) Yashili was incorporated as an exempted company on June 3, 2010 with limited liability in the Cayman Islands.
- (C) As of the Latest Practicable Date, Yashili has an authorized share capital of HK\$1,000,000,000 divided into 10,000,000,000 ordinary shares with a par value of HK\$0.10 each. As of the Latest Practicable Date, Yashili has an issued share capital of HK\$474,556,029.6 divided into 4,745,560,296 shares with a par value HK\$0.10 each. Since November 1, 2010, the Yashili Shares have been listed and traded on the Main Board of the Stock Exchange.
- (D) The Offeror has proposed the privatization of Yashili by way of the Scheme.
- (E) The primary purpose of the Scheme is to privatize Yashili as a result of cancelling all of the Scheme Shares in consideration of the Cancellation Price such that Mengniu International and the Offeror will together directly hold 100% of the issued share capital of Yashili.

- (F) Simultaneously with the cancellation of the Scheme Shares, the issued share capital of Yashili will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Yashili Shares as is equal to the number of Scheme Shares cancelled. The reserve created in Yashili's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Yashili Shares so issued to the Offeror.
- (G) As of the Latest Practicable Date:
- (i) Yashili has 4,745,560,296 Yashili Shares in issue;
  - (ii) Mengniu indirectly holds 3,608,507,787 Yashili Shares, comprising of 2,422,117,713 Yashili Shares directly held by Mengniu International, a subsidiary of Mengniu, representing approximately 51.04% of the issued share capital of Yashili, and 1,186,390,074 Yashili Shares directly held by the Offeror, a subsidiary of Mengniu, representing 25.00% of the issued share capital of Yashili; and
  - (iii) the remaining 1,137,052,509 Yashili Shares, representing approximately 23.96% of the Yashili Shares, constitute the Scheme Shares.
- (H) As of the Latest Practicable Date:
- (i) the Offeror is a wholly and directly owned subsidiary of Mengniu; and
  - (ii) Mengniu International is a 99.95% directly owned subsidiary of Mengniu.
- (I) As of the Latest Practicable Date, the Mengniu International Exchange Right Recipients hold 4,976,748 shares of Mengniu International (representing approximately 0.05% of the total issued shares of Mengniu International), which are exchangeable into 1,214,006 Yashili Shares held by Mengniu International (representing approximately 0.03% of the Yashili Shares) pursuant to the full exercise of the Mengniu International Exchange Right.
- (J) Upon the Scheme becoming effective:
- (i) assuming that (x) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date and (y) the Mengniu Intra-group Transfer has been completed prior to the Scheme Effective Date, Yashili will become a 99.97% indirectly owned subsidiary of Mengniu effectively;

- (ii) assuming that (x) the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme Record Date and (y) the Mengniu Intra-group Transfer has been completed prior to the Scheme Effective Date, Yashili will become a 99.99985% indirectly owned subsidiary of Mengniu effectively;
  - (iii) assuming that (x) there is no exercise of the Mengniu International Exchange Right between the Latest Practicable Date and the Scheme Record Date and (y) the Mengniu Intra-group Transfer has not been completed prior to the Scheme Effective Date, Yashili will become a 99.97% indirectly owned subsidiary of Mengniu effectively; or
  - (iv) assuming that (x) the Mengniu International Exchange Right has been fully exercised prior to the Scheme Record Date such that all Mengniu International Exchange Right Recipients become Scheme Shareholders at or prior to the Scheme Record Date and (y) the Mengniu Intra-group Transfer has not been completed prior to the Scheme Effective Date, Yashili will become a wholly and indirectly owned subsidiary of Mengniu.
- (K) Each of the Offeror and Mengniu has undertaken to the Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to the Scheme.

## **THE SCHEME**

### **PART I**

#### **CANCELLATION OF THE SCHEME SHARES**

1. On the Scheme Effective Date:
  - (a) all Scheme Shares shall be cancelled and the Scheme Shareholders shall cease to have any rights with respect to the Scheme Shares except for the right to receive the Cancellation Price;
  - (b) simultaneously with the cancellation of the Scheme Shares, the issued share capital of Yashili shall be maintained by the issuance to the Offeror, credited as fully paid, such number of Yashili Shares as is equal to the number of Scheme Shares cancelled; and
  - (c) Yashili shall apply the reserve created in its books of account as a result of the cancellation of the Scheme Shares in paying up in full the new Yashili Shares issued to the Offeror.



**PART II**  
**CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES**

2. In consideration of the cancellation of the Scheme Shares, Mengniu shall pay or cause to be paid the Cancellation Price to each Scheme Shareholder.

**PART III**  
**GENERAL**

3. (a) As soon as possible and but in any event within seven business days (as defined in the Takeovers Code) following the Scheme Effective Date, Mengniu shall post or cause to be posted cheques to the Scheme Shareholders in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of the Scheme.
- (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of Yashili as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the register of members of Yashili as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of Yashili in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3.(b) of the Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to Mengniu for the moneys represented thereby.
- (d) All such cheques shall be posted at the risk of the addressees and none of the Offeror, Mengniu, Yashili, HSBC, the other Offeror Concert Parties, the Independent Financial Adviser and the branch share registrar of Yashili and their respective ultimate beneficial owners, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Privatization Proposal will be responsible for any loss or delay in transmission.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3.(b) of the Scheme, Mengniu shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of Mengniu with a licensed bank in Hong Kong selected by Mengniu. Mengniu shall hold such monies until the expiry of six years from the Scheme Effective Date and shall, prior to such date, make payments therefrom of the sums payable

pursuant to paragraph 2 of the Scheme to persons who satisfy Mengniu that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by Mengniu shall include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law. Mengniu shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of Mengniu to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (f) On the expiry of six years from the Scheme Effective Date, Mengniu shall be released from any further obligation to make any payments under the Scheme and Mengniu shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3.(e) of the Scheme, including accrued interest subject to, if applicable, any deduction of interest, tax or any withholding tax or any other deduction required by law and expenses incurred.
- (g) Paragraph 3 shall take effect subject to any prohibition or condition imposed by law.

4. As from and including the Scheme Effective Date:

- (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of Yashili, to deliver up such certificates to Yashili, or to any person appointed by Yashili, to receive the same for cancellation;
- (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
- (c) all mandates or other instructions to Yashili in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.

5. Subject to the Scheme Conditions having been fulfilled or waived, as applicable, the Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme under section 86 of the Companies Act has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act.
6. Unless the Scheme shall have become effective on or before the Scheme Long Stop Date, the Scheme shall lapse.
7. Yashili and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to the Scheme or to any condition which the Court may see fit to approve or impose.
8. All costs, charges and expenses shall be borne and paid in the manner described in the Scheme Document.

**IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION**

**Cause No. FSD 97 of 2023 (IKJ)**

**IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT  
(2023 REVISION) AND  
IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995  
(AS REVISED)  
AND IN THE MATTER OF YASHILI INTERNATIONAL HOLDINGS LTD  
雅士利國際控股有限公司**

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**NOTICE OF COURT MEETING**

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**NOTICE IS HEREBY GIVEN** that, by an order dated May 24, 2023 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting of the Scheme Shareholders (as defined in the Scheme, as further defined below) (the “**Court Meeting**”) to be convened and held for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the “**Scheme**”) proposed to be made between Yashili International Holdings Ltd (“**Yashili**”) and the Scheme Shareholders and that the Court Meeting will be held at Salon 1-3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Friday, June 23, 2023 at 10:00 a.m. (Hong Kong time) at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the explanatory memorandum (the “**Explanatory Memorandum**”) explaining the effect of the Scheme are incorporated in the scheme document of which this notice forms part (the “**Scheme Document**”), which has been despatched to the Scheme Shareholders. A copy of the Scheme Document may also be obtained by any Scheme Shareholder from the Hong Kong branch share registrar of Yashili, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong during usual business hours.

Any Scheme Shareholder may attend and vote in person at the Court Meeting or he/she/it may appoint another person, whether a member of Yashili or not, as his/her/its proxy to attend and vote in his/her/its stead. Any Scheme Shareholder who is the holder of two or more Scheme Shares may appoint more than one proxy to represent him/her/it. If more than one proxy is appointed, the number of Scheme Shares in respect of which each such proxy is so appointed must be specified in

the relevant form of proxy. A **pink** form of proxy for use at the Court Meeting is enclosed with the Scheme Document. Such form is also published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on Yashili's website at [www.yashili.hk](http://www.yashili.hk).

In the case of joint holders of a Scheme Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of Yashili in respect of the joint holding.

In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its corporate representative at the Court Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder.

It is requested that the **pink** form of proxy in respect of the Court Meeting, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, be deposited at the Hong Kong branch share registrar of Yashili, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, but in any event no less than 48 hours before the time appointed for the holding of the Court Meeting or any adjournment thereof. The **pink** form of proxy may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it).

Completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof, and in such event, the instrument appointing a proxy shall be revoked by operation of law.

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting, the register of members of Yashili will be closed from Monday, June 19, 2023 to Friday, June 23, 2023 (Hong Kong time) (both days inclusive), and during such period, no transfer of Yashili Shares will be effected. In order to qualify to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of Yashili at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, June 16, 2023 (Hong Kong time).

By the Order, the Court has appointed Mr. Mok Wai Bun Ben, an independent non-executive director of Yashili, or failing him, any other independent non-executive director of Yashili at the time of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results thereof to the Court.

The Scheme will be subject to the subsequent sanction of the Court as set out in the Explanatory Memorandum contained in the Scheme Document.

By order of the Court  
**Yashili International Holdings Ltd**  
雅士利國際控股有限公司

Dated May 31, 2023

***Registered Office:***

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

***Principal place of business in Hong Kong:***

Room A, 32nd Floor  
COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

*As at the date of this notice, the Yashili Board (as defined in the Scheme Document) comprises: Mr. Jeffrey, Minfang Lu (Chairman of Yashili) and Mr. Zhang Ping as non-executive directors; Mr. Yan Zhiyuan as executive director; and Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway as independent non-executive directors.*

**Yashili International Holdings Ltd****雅士利國際控股有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 1230)**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**Scheme EGM**”) of Yashili International Holdings Ltd (“**Yashili**”) will be held at Salon 1–3 of JW Marriott Ballroom, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Friday, June 23, 2023 at 11:00 a.m. (Hong Kong time) (or as soon as practicable after the conclusion or adjournment of the Court Meeting (as defined in the Scheme Document, as further defined below) for the purpose of considering and, if thought fit, passing the following resolutions.

**SPECIAL RESOLUTION**

1. “**THAT** for the purpose of giving effect to the scheme of arrangement between Yashili and the Scheme Shareholders (as defined in the Scheme Document) (the “**Scheme**”) as set out in the scheme document of Yashili dated May 31, 2023 (the “**Scheme Document**”) and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting (as defined in the Scheme Document), on the Scheme Effective Date (as defined in the Scheme Document), any reduction of the issued share capital of Yashili associated with the cancellation of the Scheme Shares (as defined in the Scheme Document) be and is hereby approved.”

**ORDINARY RESOLUTION**

1. “**THAT:**
  - (A) subject to and simultaneously with the cancellation of the Scheme Shares, the maintenance of the issued share capital of Yashili at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Yashili Shares (as defined in the Scheme Document) as is equal to the number of Scheme Shares cancelled for issuance to Star Future Investment Company Limited be and is hereby approved; and that the directors of Yashili be and are hereby authorized to allot and issue such new Yashili Shares accordingly;

- (B) subject to the Scheme taking effect, the withdrawal of listing of the Yashili Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) be and is hereby approved; and
- (C) the directors of Yashili be and are hereby unconditionally authorized to do all acts and things and/or sign all such documents as considered by them to be necessary for or desirable in connection with the implementation of the Privatization Proposal (as defined in the Scheme Document) and the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the Yashili Shares on the Stock Exchange, subject to the Scheme taking effect; (ii) any reduction of the issued share capital of Yashili; (iii) the allotment and issue of the Yashili Shares referred to above; and (iv) the giving, on behalf of Yashili, of consent to any modification of, or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose and to do all other acts and things and/or sign all such other documents considered by them to be necessary for or desirable in connection with the implementation of the Scheme and in relation to the proposed privatization of Yashili by Star Future Investment Company Limited by way of the Scheme as a whole.”

By order of the board of directors of  
**Yashili International Holdings Ltd**  
雅士利國際控股有限公司  
**Yan Zhiyuan**  
*Chief Executive Officer and*  
*Executive Director*

Hong Kong, May 31, 2023

***Registered Office:***

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

***Principal place of business in Hong Kong:***

Room A, 32nd Floor  
COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

*Notes:*

- (i) Unless otherwise indicated, expressions used herein shall have the same meanings as those defined in the scheme document of Yashili dated May 31, 2023 of which this notice forms part.



- (ii) The above resolutions will be voted upon by way of poll at the Scheme EGM in accordance with the articles of association of Yashili, the Listing Rules and the Takeovers Code. The results of the poll will be published on the respective websites of the Stock Exchange and Yashili in accordance with the Listing Rules and the Takeovers Code.
- (iii) Any Yashili Shareholder entitled to attend and vote at the Scheme EGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A Yashili Shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the Scheme EGM. A proxy need not be a Yashili Shareholder. If more than one proxy is so appointed, the appointment shall specify the number of Yashili Shares in respect of which each such proxy is so appointed.
- (iv) In the case of joint holders of a Yashili Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of Yashili in respect of the joint holding.
- (v) In order to be valid, the duly completed and signed **white** form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at Yashili's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no less than 48 hours before the time appointed for the holding of the Scheme EGM or any adjournment thereof. Completion and return of the **white** form of proxy will not preclude a Yashili Shareholder from attending and voting in person at the Scheme EGM and, in such event, the instrument appointing a proxy shall be revoked by operation of law.
- (vi) The register of members of Yashili will be closed from Monday, June 19, 2023 to Friday, June 23, 2023 (Hong Kong time), both days inclusive and during which period no share transfer will be effected for the purpose of ascertaining entitlement of Yashili Shareholders to attend and vote at the Scheme EGM. In order to be eligible to attend and vote at the Scheme EGM, all transfer documents accompanied by the relevant share certificates must be lodged with Yashili's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, June 16, 2023 (Hong Kong time). The record date for determining eligibility to attend and vote at the Scheme EGM is Friday, June 23, 2023 (Hong Kong time).
- (vii) A **white** form of proxy for use at the Scheme EGM is enclosed with the Scheme Document. Such form is also published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on Yashili's website at [www.yashili.hk](http://www.yashili.hk).

*As at the date of this notice, the board of directors of Yashili comprises: Mr. Jeffrey, Minfang Lu (Chairman) and Mr. Zhang Ping as non-executive directors; Mr. Yan Zhiyuan as executive director; and Mr. Mok Wai Bun Ben, Mr. Cheng Shoutai and Mr. Lee Kong Wai Conway as independent non-executive directors.*