



10 February 2022

To the Shareholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS
BY CLSA LIMITED FOR AND ON BEHALF OF
HONGKONG JINGANG TRADE HOLDING CO., LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
AUSNUTRIA DAIRY CORPORATION LTD
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY THE OFFEROR AND/OR
THE PARTIES ACTING IN CONCERT WITH IT) AND
FOR THE CANCELLATION OF ALL THE OUTSTANDING OPTIONS OF
AUSNUTRIA DAIRY CORPORATION LTD**

I. INTRODUCTION

Reference is made to (i) the Rule 3.5 Announcement, (ii) the Circular, and (iii) the announcement dated 28 January 2022 made jointly by the Offeror and the Company in relation to the Completion.

The Share Purchase Completion and the Subscription Completion took place at the same time on 28 January 2022. Immediately prior to the Completion, the Offeror was not interested in any Shares. As the Completion has taken place, as at the Latest Practicable Date, the Offeror owned an aggregate of 620,824,763 Shares, representing approximately 34.33% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer for all issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or the parties acting in concert with it). The Offeror is also required to make a comparable offer to the Optionholders pursuant to Rule 13.5 of the Takeovers Code to cancel all the Options.

The Share Offer will be conditional upon the Offeror having received (and, where permitted, such acceptances not having been withdrawn), at or before 4:00 p.m. on the First Closing Date (or such other time as the Offeror may, subject to Takeovers Code, decide), valid acceptances in respect of the Shares which, together with Sale Shares and Subscription Shares, will result in the Offeror and any person acting in concert with it holding more than 50% of the voting rights of the Company. The Option Offer will be subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

This letter forms part of this Composite Document and sets out, among others, details of the Offers, certain background information of the Offeror, the reasons for making the Offers and the intention of the Offeror in relation to the Company. Further details on the terms and the procedures for acceptance of the Offers are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Your attention is also drawn to the letter from the Board on pages 26 to 29, the letter from the Independent Board Committee on pages 30 to 31 and the letter from the Independent Financial Adviser on pages 32 to 60 of this Composite Document.

As at the Latest Practicable Date, the Company has (i) a total of 1,808,545,841 Shares in issue; and (ii) 37,499,334 Options, which may be exercised for an issue of 37,499,334 additional Shares at a price of HK\$10.00 per Option by the Optionholders. Save as disclosed above, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

II. THE OFFERS

CLSA Limited is making the Offers, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following basis:

The Share Offer

For each Offer Share HK\$10.06 in cash

The Share Offer Price of HK\$10.06 equals to the per Sale Share consideration under the Share Purchase Agreement and the subscription price of the Subscription Shares under the Subscription Agreement. The Offer Shares to be acquired under the Share Offer shall be fully paid and clear of any lien and together with all rights and interests attaching thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of the despatch of this Composite Document. The Company has no intention to make any distribution or declare dividends before the Closing Date and there is no unpaid dividend as at the Latest Practicable Date.

The Offeror will not increase the Share Offer Price for the Offer Shares as set out above. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Share Offer Price and the Offeror does not reserve the right to increase the Share Offer Price.

The Share Offer Price of HK\$10.06 per Offer Share represents:

- (a) a premium of approximately 13.67% over the closing price of HK\$8.85 per Share as quoted on the Stock Exchange on 11 October 2021, being the Last Trading Day;

- (b) a premium of approximately 17.11% over the average closing price of approximately HK\$8.59 per Share based on the daily closing prices as quoted on the Stock Exchange for five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 24.20% over the average closing price of approximately HK\$8.10 per Share based on the daily closing prices as quoted on the Stock Exchange for ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 33.42% over the average closing price of approximately HK\$7.54 per Share based on the daily closing prices as quoted on the Stock Exchange for thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 1.51% over the closing price of HK\$9.91 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (f) a premium of approximately 188.50% over the audited consolidated net asset value attributable to the Shareholders of approximately HK\$3.487 per Share as at 31 December 2020, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB5,171.37 million (equivalent to approximately HK\$6,306.55 million) as at 31 December 2020 by 1,808,545,841 Shares in issue as at the Latest Practicable Date; and
- (g) a premium of approximately 185.39% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$3.525 per Share as at 30 June 2021, calculated by dividing the Group's unaudited consolidated net assets attributable to the Shareholders of approximately RMB5,227.05 million (equivalent to approximately HK\$6,374.45 million) as at 30 June 2021 by 1,808,545,841 Shares in issue as at the Latest Practicable Date.

The Option Offer

For the cancellation of each of Options HK\$0.06 in cash

Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise price of the Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the Options, being HK\$10.00, is below the Share Offer Price of HK\$10.06, the Options are in-the-money and the Option Offer Price is set at the see-through price of HK\$0.06.

Conditions to the Offers

The Share Offer is conditional only on valid acceptances being received in respect of such number of Offer Shares, which together with Shares owned, acquired or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Share Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company. The Option Offer will be conditional on the Share Offer becoming or being declared unconditional in all respects.

Subject to the Option Offer becoming unconditional and following acceptance of the Option Offer, the relevant Options tendered in acceptance of the Option Offer will be cancelled, and all Options which have not been exercised or tendered in acceptance of the Option Offer by 4:00 p.m. on the Closing Date will lapse (following which the holder of such Options will not be able to accept the Option Offer in respect of such Options).

Further announcement(s) in relation to the extension or lapse of the Offers or the fulfillment of the conditions of the Offers shall be made in accordance with the Takeovers Code and Listing Rules in due course.

Highest and Lowest Closing Price of the Shares

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$12.96 per Share (on 13 May 2021) and HK\$6.59 per Share (on 24 September 2021), respectively.

Irrevocable Undertakings not to Accept the Share Offer and the Option Offer

Certain Shareholders have given the following undertakings in favour of the Offeror:

- (i) Citagri Easter Limited has given the CEL Irrevocable Undertaking in favour of the Offeror, pursuant to which, CEL has undertaken that it shall (a) not accept the Share Offer in respect of CAF Remaining Shares and any other Shares of which it may become the registered holder or beneficial owner or in which it may become so interested after the date of the CEL Irrevocable Undertaking, and (b) not dispose of, charge, pledge or otherwise encumber or grant any option or other right over or otherwise deal in any of relevant Shares mentioned above or any interest in them (whether conditionally or unconditionally) or enter into any transaction having a similar economic effect;

- (ii) CL Seller (CenterLab) has given the CL Irrevocable Undertaking in favour of the Offeror, pursuant to which, CL Seller (CenterLab) has undertaken that it shall (a) not accept the Share Offer in respect of CL Remaining Shares and any other Shares of which it may become the registered holder or beneficial owner or in which it may become so interested after the date of the CL Irrevocable Undertaking, and (b) not dispose of, charge, pledge or otherwise encumber or grant any option or other right over or otherwise deal in any of relevant Shares mentioned above or any interest in them (whether conditionally or unconditionally) or enter into any transaction having a similar economic effect;
- (iii) Mr. Yan Weibin has given the Yan Irrevocable Undertaking in favour of the Offeror, pursuant to which, Mr. Yan Weibin has undertaken that he shall (a) not accept the Share Offer in respect of 120,439,085 Shares, directly and indirectly through Ausnutria Holding Co Ltd, a company wholly owned by Mr. Yan Weibin, held by him and any other Shares of which he may become the registered holder or beneficial owner or in which it may become so interested after the date of the Yan Irrevocable Undertaking, (b) not exercise or accept the Option Offer in respect of 1,000,000 outstanding Options granted to him or any Options of which he may become the registered holder or beneficial owner or in which it may become so interested after the date of the Yan Irrevocable Undertaking, and (c) not dispose of, charge, pledge or otherwise encumber or grant any option or other right over or otherwise deal in any of Shares or Options mentioned above or any interest in them (whether conditionally or unconditionally) or enter into any transaction having a similar economic effect; and
- (iv) Mr. Bartle van der Meer has given the Bartle Irrevocable Undertaking in favour of the Offeror, pursuant to which, Mr. Bartle van der Meer has undertaken that he shall (a) not accept the Share Offer in respect of 1,509,000 Shares directly owned by him, DDI Remaining Shares and any other Shares of which he may become the registered holder or beneficial owner or in which it may become so interested after the date of the Bartle Irrevocable Undertaking, (b) not exercise or accept the Option Offer in respect of 1,000,000 outstanding Options granted to him or any Options of which he may become the registered holder or beneficial owner or in which it may become so interested after the date of the Bartle Irrevocable Undertaking, and (c) not dispose of, charge, pledge or otherwise encumber or grant any option or other right over or otherwise deal in any of Shares or Options mentioned above or any interest in them (whether conditionally or unconditionally) or enter into any transaction having a similar economic effect.

The Irrevocable Undertakings shall terminate immediately if the Offers close, lapse or are withdrawn.

Value of the Offers

As at the Latest Practicable Date, there are 1,808,545,841 Shares in issue. On the basis of the Share Offer Price of HK\$10.06 per Share, the entire issued ordinary share capital of the Company would be valued at HK\$18,193,971,160.

Assuming that there is no change in the issued share capital of the Company, taking into account the Irrevocable Undertakings, and assuming that the Share Offer is accepted in full (other than in respect of Shares subject to Irrevocable Undertakings), the total consideration payable by the Offeror for the Share Offer will be approximately HK\$7,540 million.

As at the Latest Practicable Date, under the Share Option Scheme, there are 37,499,334 Options granted, of which 26,666,667 Options are currently unvested, and will automatically vest if the Share Offer is made and becomes unconditional.

If none of the Options are exercised before the closing of the Offers, taking into account the Irrevocable Undertakings and assuming full acceptance of the Offers, the consideration payable under the Share Offer will be approximately HK\$7,540 million and the consideration for the cancellation of all Options under the Option Offer will amount to approximately HK\$2 million. The maximum value of the Offers will amount to approximately HK\$7,542 million.

If all Options (including the currently unvested Options and excluding Options subject to Yan Irrevocable Undertaking and Bartle Irrevocable Undertaking) are exercised prior to the closing of the Offers, taking into account the Irrevocable Undertakings, the Company will have to issue 35,499,334 new Shares, representing approximately 1.96% of the issued share capital of the Company as at the Latest Practicable Date. Assuming that the Share Offer is then accepted in full (including all Shares issued and allotted as a result of the exercise of the Options, other than (i) a total of 223,107,009 Shares held by Citagri Easter Limited and CL Seller (CenterLab); and (ii) Mr. Yan Weibin and Mr. Bartle van der Meer in respect of a total of 215,153,315 Shares and 2,000,000 Options, in respect of which each of them has given an undertaking not to accept the Offers), the maximum value of the Share Offer will increase to approximately HK\$7,897 million. In that case, no amount will be payable by the Offeror under the Option Offer and the Company will receive an aggregate subscription price of approximately HK\$355 million from the exercise of all of the Options (including the currently unvested Options and excluding Options subject to Yan Irrevocable Undertaking and Bartle Irrevocable Undertaking).

Confirmation of Financial Resources

The Offeror intends to finance the maximum consideration payable under the Offers (assuming all Optionholders convert their Options into Shares and accept the Share Offer, other than (i) a total of 223,107,009 Shares held by Citagri Easter Limited and CL Seller (CenterLab); and (ii) Mr. Yan Weibin and Mr. Bartle van der Meer in respect of a total of 215,153,315 Shares and 2,000,000 Options, in respect of which each of them has given an undertaking not to accept the Offers) (i.e. approximately HK\$14,142 million) with the Committed Facilities. The funds under the Committed Facilities are either available in Hong Kong or are not subject to NDRC and/or SAFE approvals before remittance of the same to Hong Kong.

CLSA Capital Markets, the exclusive financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the maximum consideration payable under the Offers.

The payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the abovementioned Committed Facilities will not depend on a significant extent on the business of the Group.

Effect of Accepting the Offers

Acceptance of the Share Offer by any Offer Shareholders will constitute a warranty by such person that all Offer Shares to be sold by such person under the Share Offer are fully paid and free and clear of all lien whatsoever together with all rights and interests attaching thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date of this Composite Document.

By validly accepting the Option Offer, the Options tendered by the Optionholders will be cancelled, together with all rights and interests attaching thereto.

Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Payment

Subject to the Offers having become, or have been declared, unconditional in all respects, payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the later of the date of receipt of a duly completed acceptance of the Offers, or the date on which the Offers become or are declared unconditional in all aspects. Relevant documents evidencing title must be received by the Offeror (or its agent) to render such acceptance of the Offers complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to an Offer Shareholder or an Optionholder who accepts the Offers will be rounded up to the nearest cent.

Overseas Shareholders and Overseas Optionholders

The Offeror intends to make the Offers available to all Offer Shareholders and Optionholders, including the Overseas Shareholders and Overseas Optionholders. However, the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident. The making of the offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Overseas Shareholders and/or Overseas Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice. It is the responsibility of Overseas Shareholders and the Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

According to the register of member and Optionholders of the Company as the Latest Practicable Date, there were Overseas Shareholders and Overseas Optionholders with registered address located in Australia, the United States, Taiwan, the Netherland and the PRC. The Offeror was advised by relevant legal advisers that there is no restriction for the Offeror to despatch this Composite Document and Form(s) of Acceptance and to make the Offers to the Overseas Shareholders and Overseas Optionholders. The Offeror will therefore despatch this Composite Document and Form(s) of Acceptance to Overseas Shareholders and Overseas Optionholders. This Composite Document will not be filed, nor approved for its issuance sought, under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong. Whether or not this Composite Document is sent to the Overseas Shareholders, this Composite Document will be published on the websites of the Company and the Stock Exchange, and will be available for collection in the office of the Registrar.

Any acceptance of the Offers by any Overseas Shareholder and/or Overseas Optionholder will be deemed to constitute a representation and warranty from such Overseas Shareholder and/or Overseas Optionholder to the Offeror that the local laws and requirements have been complied with. Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

Hong Kong Stamp Duty

Offer Shareholders' Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer at a rate of 0.13% of the consideration payable in respect of the relevant acceptances, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Offer Shareholders who accept the Share Offer. The Offeror will then arrange for payment of the stamp duty on behalf of those Offer Shareholders who accepted the Share Offer. The Offeror will bear the Offeror's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

No stamp duty is payable in connection with the acceptance of the Option Offer.

Tax Advice

Offer Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications, which may be applicable in relevant jurisdictions, of accepting or rejecting the Offers. It is emphasized that none of the Company, the Offeror or parties acting in concert with it or any of their respective directors, officers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Extension of the Offer Period

The Offeror will issue an announcement in relation to the extension, expiry or unconditionality of the Offers in accordance with the Takeovers Code and the Listing Rules by 7:00 p.m. on the Closing Date.

Procedures for Acceptance

Your attention is drawn to "Further Terms of Acceptance of the Offers" as set out in Appendix I to this Composite Document and the accompanying **WHITE** Form of Share Offer Acceptance and **PINK** Form of Option Offer Acceptance.

Compulsory Acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offers.

III. INFORMATION ON THE OFFEROR

Jingang Trade is a company incorporated in Hong Kong, primarily engaged in investment and trading businesses. As at the Latest Practicable Date, Jingang Trade was wholly and beneficially owned by Yili Industrial, and the board of Jingang Trade comprised Mr. Pan Gang, Mr. Wang Xiaogang, Ms. Yuan Ping and Ms. Jiang Yuanzi.

Yili Industrial is a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange of the PRC (stock code: 600887). Yili Industrial is principally engaged in the business of processing and manufacturing dairy products in the PRC. As at the Latest Practicable Date, the board of Yili Industrial comprised Mr. Pan Gang, Ms. Zhao Chengxia, Mr. Wang Xiaogang, Ms. Zhao Ying, Ms. Wang Aiqing, Mr. Zhang Junping, Mr. Lv Gang, Mr. Peng Heping, Ms. Ji Shao, Mr. Cai Yuanming, and Ms. Shi Fang. And as at the Latest Practicable Date, Yili Industrial did not have any controlling shareholder (as defined in the Listing Rules) and the largest shareholder of Yili Industrial was Huhhot Investment Company Limited* (呼和浩特投資有限責任公司) with a shareholding of approximately 8.41%. Huhhot Investment Company Limited is a company incorporated in the PRC, which is owned as to 81% by Inner Mongolia Financial Investment Group Co., Ltd.* (內蒙古金融投資集團有限公司) and 19% by Shanghai Electric Qingcheng Inner Mongolia Industrial Co., Ltd.* (上海電氣內蒙古青城實業有限公司). Inner Mongolia Financial Investment Group Co., Ltd.* is a company incorporated in the PRC, which is owned as to 89.96% by Huhhot State-owned Assets Supervision and Administration Commission* (呼和浩特國有資產監督管理委員會), 9.99% by Inner Mongolia State-owned Assets Management Co., Ltd.* (內蒙古國有資產運營有限公司) and 0.05% by Huhhot Investment Company Limited*.

IV. INTENTION OF THE OFFEROR REGARDING THE GROUP

The Offeror identifies with the strategy, culture, team and business of the Company and will continue to support the independent operation of the Company and maintain the Company's listing status in the Hong Kong capital market. It is the intention of the Offeror that the Company will continue to focus on the development of its existing businesses. The Offeror does not intend to introduce any major changes to the existing operations and business of the Group upon the close of the Offers.

Following the closing of the Offers, the Offeror will conduct a review and outlook on the strategy, operations and financial position of the Group, taking into account the net proceeds of HK\$904,900,000 received by the Company through Share Subscription, for the purpose of formulating business plans and strategies for the Group's long-term business development, leverage the synergies between the Offeror and the Group and explore other business opportunities for the Group. Subject to the results of the review, should suitable investment or business opportunities arise, the Offeror may consider for purpose of enhancing the growth of the Group.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate as further disclosed in the paragraph headed “Proposed Change to the Board Composition” below) or to dispose of or re-allocate the Group’s fixed assets which relate to the ordinary and usual course of business of the Group as a result of completion of the Offers. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group’s business and operations to optimize the value of the Group.

As at the Latest Practicable Date, no material investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

V. PROPOSED CHANGE TO THE BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprises three executive Directors, namely Mr. Yan Weibin (Chairman), Mr. Bartle van der Meer (Chief Executive Officer) and Ms. Ng Siu Hung; three non-executive Directors, namely Mr. Shi Liang (Vice-Chairman), Mr. Qiao Baijun and Mr. Tsai Chang-Hai; and three independent non-executive Directors, namely Mr. Jason Wan, Mr. Lau Chun Fai Douglas and Mr. Aidan Maurice Coleman.

Mr. Shi Liang and Mr. Tsai Chang-Hai (both being nominated by the Vendors to the Board) have tendered resignation from their offices as a non-executive Director and a member of Nomination Committee and Remuneration Committee of the Company to take effect from the day after the Closing Date. Mr. Shi Liang will also cease to be the Vice Chairman of the Board on even date. The Offeror intends to nominate Mr. Sun Donghong and Mr. Zhang Zhanqiang as new non-executive Directors, and such proposed appointment is subject to approval of the Board and expected to take effect from the day after the Closing Date. The biographical details of Mr. Sun Donghong and Mr. Zhang Zhanqiang are set out below:

Mr. Sun Donghong, aged 49, graduated from Inner Mongolia University of Technology with a bachelor’s degree in engineering in 1994. He has 27 years of experience in the dairy industry and has been successively engaged in production technology, production management, business operation management, strategic operations and etc. He joined Inner Mongolia Yili Industrial Group Co., Ltd. (a company established under Chinese laws and whose shares are listed on the Shanghai Stock Exchange (stock code: 600887)) in 1994. He has been the assistant president of the company since 2017 and is in charge of the group’s milk powder business department, yogurt business department, cheese business department, dairy technology research institute and such other new businesses of the group.

Mr. Zhang Zhanqiang, aged 53, graduated from Inner Mongolia School of Finance and Economics in 1991 with a major in corporate finance, from Inner Mongolia University of Finance and Economics with a major in accounting in 1995, and from Central University of Finance and Economics with a bachelor's degree in management in 2007 respectively. He is a certified public accountant in the PRC, a certified tax agent in the PRC, and is qualified to practice accounting in the PRC. He joined Inner Mongolia Yili Industrial Group Co., Ltd. (a company established under Chinese laws and whose shares are listed on the Shanghai Stock Exchange (stock code: 600887)) in January 2007, and has been the assistant to the president of the group since 2019. Prior to that, he also served as the deputy general manager of the liquid milk business department and the general manager of the financial management department of the company. Prior to joining Inner Mongolia Yili Industrial Group Co., Ltd., he was primarily engaged in the accounting industry and served as a partner in Beijing Zhongtian Huazheng Accountancy Firm.

Besides, to the extent existing independent non-executive Directors resign from or cease to hold their respective positions, the Offeror intends to nominate new independent non-executive Directors to the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors intend to resign from his/her offices as a Director. Further announcement(s) will be made upon any changes to the composition to the Board in compliance with the Takeovers Code and/or the Listing Rules as and when appropriate.

VI. PUBLIC FLOAT AND LISTING STATUS OF THE COMPANY

The Offeror has no intention to privatize the Company and intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, or if the Stock Exchange believes that:

- (a) false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, which may include but not limited to placing down of sufficient number of accepted Shares by the Offeror and/or issue of additional Shares by the Company for this purpose. No arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

VII. GENERAL

This Composite Document has been prepared for the purpose of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules. The information disclosed in it may not be the same as that which would have been disclosed if this Composite Document had been prepared in accordance with the laws or rules of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders and Optionholders, those Shareholders and Optionholders who hold Shares and Options as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares and Options whose investments are registered in the names of nominees to provide instructions to their nominees of their intention with regard to the Offers.

The attention of Overseas Shareholders and Overseas Optionholders is drawn to the paragraph headed “Overseas Shareholders and Overseas Optionholders” in Appendix I to this Composite Document.

All documents to be sent to the Shareholders will be sent to them by ordinary post at their own risk to their respective addresses as they appear in the register of the members of the Company or, in the case of joint holders, to such holder whose name appears first in the register of members. Payment of the consideration (after deducting the seller’s ad valorem stamp duty) for the Offer Shares tendered for acceptance under the Share Offer will be made in cheque to the Offer Shareholders (to the address specified on the **WHITE** Form(s) of Share Offer Acceptance) accepting the Offers by ordinary post at his/her/its own risk.

All documents to be sent to the Optionholders will be sent to them by ordinary post at their own risk to their respective addresses as they appear in the register of Optionholders. Payment of the consideration for the Options surrendered for cancellation under the Option Offer will be made to the Company as the agent of the Optionholders, by cheque(s) drawn in the name of the Company or, at the election of the Offeror, by wire transfer to the bank account of the Company. The Company will transfer such payment received to the respective Optionholders by issue of cheque or wire transfer within seven (7) business days following later of (i) the date on which the Option Offer becomes, or is declared, unconditional and (ii) the date of receipt by the company secretary of the Company of the duly completed **PINK** Form of Option Offer Acceptance together with all relevant documents required to render such acceptance under the Option Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code. The Offeror and parties acting in concert with it, the Company, CLSA Limited, the Registrar and their respective ultimate beneficial owners, directors, officers, agents, advisers and associates or any other parties involved in the Offers will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

VIII. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Board on pages 26 to 29 of this Composite Document, the letter from the Independent Board Committee on pages 30 to 31 of this Composite Document and the letter from the Independent Financial Adviser on pages 32 to 60 of this Composite Document in relation to their respective recommendations and advice with respect to the Offers.

Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,
For and on behalf of
CLSA Limited

A handwritten signature in blue ink, appearing to read 'Edmund Chan', is centered on the page.

Edmund Chan
Managing Director, Head of M&A