



滋养生命活力



2017 ANNUAL REPORT

INNER MONGOLIA YILI INDUSTRIAL GROUP CO., LTD.

2017 ANNUAL REPORT



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伊利即品质

内蒙古伊利实业集团股份有限公司
Inner Mongolia Yili Industrial Group Co.,Ltd.

INNER MONGOLIA YILI INDUSTRIAL GROUP CO., LTD.
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内蒙古伊利实业集团股份有限公司董事长：

A stylized handwritten signature in black ink, consisting of several fluid, connected strokes that represent the Chinese characters for the name of the chairman.

Important Notice

I. The Board of Directors, the Board of Supervisors, and the directors, supervisors and senior management of the Company guarantee that the information of the Annual Report is true, accurate and complete and there are no false representations, misleading statements or material omissions, and assume individual and joint liabilities to the information contained herein.

II. All directors of the Company attended the Board meeting.

III. Da Hua Certified Public Accountants (Special General Partnership) has issued a standard unqualified audit report for the Company.

IV. Pan Gang (潘刚), the person-in-charge of the Company, Zhao Chengxia (赵成霞), the person-in-charge of accounting affairs, and Zhang Zhanqiang (张占强), the person-in-charge of the accounting department (head of the accounting department) hereby declare their guarantees for the authenticity, accuracy and completeness of the financial report in the Annual Report.

V. The proposal for profits distribution or conversion of capital reserve to capital stock during the reporting period approved by the Board of Directors.

According to the audit report numbered “Da Hua Shen Zi No.[2018]003301” issued by Da Hua Certified Public Accountants (Special General Partnership), the Company (parent company) recorded a net profit of RMB5,367,521,449.37 for the year 2017 (in addition to the undistributed profit of RMB5,572,368,892.02 at the beginning of the year), appropriated RMB536,752,144.94 from the statutory surplus reserve and distributed dividend in the amount of RMB3,647,400,064.80 for the year 2016. For the year under review, nine incentive recipients of restricted shares were disqualified, because one of them was elected as a staff supervisor and the remaining eight resigned. Accordingly, action was taken to repurchase a total of 507,500 restricted shares that were granted to and held by such recipients but were not unlocked. Pursuant to the Accounting Standards for Business Enterprises and relevant regulations, the distributed cash dividend of RMB304,500.00 shall no longer be recognized as profit distribution. As at the end of the reporting period, total comprehensive income attributable to shareholder was 6,756,042,631.65.

According to “Law of Corporation” and “Articles of Association”, the Company planned to pay 4,254,944,825.60 cash dividend based on the Company’s total share of 6,078,492,608 and 7.00 (tax included) every 10 (ten) shares. The company (Parent Company) undistributed profit is 2,501,097,806.05 after the cash dividend.

VI. Risk statement with respect to forward-looking statements

Applicable Not applicable

The forward-looking statements such as future plans and development strategies contained in this annual report, do not constitute actual commitments made by the Company to investors. Investors and relevant persons are advised to maintain adequate awareness of risks in relation to such statements and understand the difference among plans, predictions and commitments.

VII. Is there any non-operational fund appropriated by controlling shareholders and their related parties?

No

VIII. Is there any violation of stipulated decision-making procedures with respect to the provision of external guarantee by the Company?

No

IX. Notice of material risks

Relevant potential risks are described in this report. For details, please refer to the part headed “Potential Risk Exposure” under “Discussion and Analysis on Operations”

X. Others

Applicable Not applicable

※ This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

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伊利即品质

最高准则：视品质如生命

最高标准：100%用心，100%安全，100%健康

最高行为：人人都是品质创造者

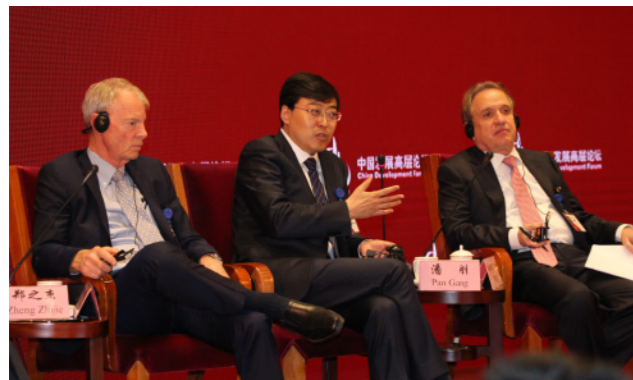
Section I Definitions

I. Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

Definitions of Frequently-used Terms

Yili or the Company	Inner Mongolia Yili Industrial Group Co., Ltd.
General Meeting Of Stockholders	The general meeting of stockholders of Inner Mongolia Yili Industrial Group Co., Ltd.
Board of Directors or the Board	The board of directors of Inner Mongolia Yili Industrial Group Co., Ltd.
Board of Supervisors	The board of supervisors of Inner Mongolia Yili Industrial Group Co., Ltd.
Articles of Association	The articles of association of Inner Mongolia Yili Industrial Group Co., Ltd.
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange



公司董事长潘刚在中国发展高层论坛上发言



2017年8月30日，公司与北京冬奥组委签署赞助协议，成为北京2022年冬奥会和冬残奥会官方乳制品合作伙伴



由中国经济50人论坛举办的首届企业家理事专题研讨会在公司召开



2017年8月16日，公司董事长潘刚为少年商学营“00后”学子点评创意海报

Section II Company Profile and Principal Financial Indicators

I. Corporate Information

Chinese name	内蒙古伊利实业集团股份有限公司
Abbreviated Chinese name	伊利股份
English name	INNER MONGOLIA YILI INDUSTRIAL GROUP CO., LTD.
Abbreviated English name	YILI
Legal representative	Pan Gang (潘刚)

II. Contact Persons and Contact Information

	Secretary to the Board	Representative for securities affairs
Name	Hu Liping (胡利平)	Xu Ri (旭日)
Address	No.1 Jinshan Avenue, Jinshan Development Zone, Hohhot	No.1 Jinshan Avenue, Jinshan Development Zone, Hohhot
Telephone	0471-3350092	0471-3350092
Fax	0471-3601621	0471-3601621
Email	huliping@yili.com	rxu@yili.com

III. Basic Information

Registered address	No.1 Jinshan Avenue, Jinshan Development Zone, Hohhot
Postal code of the registered address	010110
Business address	No.1 Jinshan Avenue, Jinshan Development Zone, Hohhot
Postal code of business address	010110
Website	http://www.yili.com
Email	info@yili.com

IV. Place of Information Disclosure and Document Inspection

Designated newspapers for information disclosure	“China Securities Journal” and “Shanghai Securities News”
Website designated by CSRC for publishing the annual report	http://www.sse.com.cn
Annual report available at	The Board of Directors’ office of the Company

V. Share Listing

Particulars of the Company’s Shares

Class of Shares	Stock Exchange	Stock Abbreviation	Stock Code	Previous Stock Abbreviation
A Shares	Shanghai Stock Exchange	YILI	600887	/



VI. Other Relevant Information

Accounting firm engaged by the Company (domestic)	Name	Da Hua Certified Public Accountants (Special General Partnership)
	Place of business	12/F, 7 th Building, No.16 Xi Si Huan Zhong Road, Haidian District, Beijing
	Signature of accountants	Zhang Wenrong (张文荣), Liu Guang (刘广)

VII. Principal Accounting Data and Financial Indicators for the Past Three Years

(I) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data	2017	2016	Increase/Decrease compared with the corresponding period of last year (%)	2015
Operating revenue	67,547,449,530.32	60,312,009,671.16	12.00	59,863,485,730.88
Net profit attributable to parent company	6,000,884,926.88	5,661,807,747.14	5.99	4,631,791,823.05
Net profit attributable to the shareholders of the listed company for deducting non-recurring gains and losses	5,328,249,297.18	4,526,898,436.24	17.70	4,018,368,911.66
Net cash flows from operating activities	7,006,297,178.98	12,817,325,815.25	-45.34	9,536,498,591.50
	As at the end of 2017	As at the end of 2016	Increase/Decrease compared with the corresponding period of last year (%)	As at the end of 2015
Equity attributable to parent company	25,103,389,199.94	23,081,766,710.88	8.76	19,984,397,434.55
Total assets	49,300,355,318.14	39,262,272,885.74	25.57	39,630,968,248.50

(II) Principal financial indicators

Principal financial indicators	2017	2016	Increase/Decrease compared with the corresponding period of last year (%)	2015
Basic earnings per share (RMB/share)	0.99	0.93	6.45	0.76
Diluted earnings per share (RMB/share)	0.99	0.93	6.45	0.76
Basic earnings per share for deducting non-recurring gains and losses (RMB/share)	0.88	0.75	17.33	0.66
Weighted average ROE (%)	25.22	26.58	Decrease by 1.36 percentage points	23.87
Weighted average ROE for deducting non-recurring gains and losses (%)	22.40	21.25	Increase by 1.15 percentage points	20.71

Explanation on the principal accounting data and financial indicators of the Company for the past three years as at the end of the reporting period

Applicable Not applicable

VIII. Differences in Accounting Data under Domestic and Overseas Accounting Standards

(I) Differences in net profit and net assets attributable to the shareholders of the listed company disclosed in the financial reports prepared under international accounting standards and PRC GAAP

Applicable Not applicable

(II) Differences in net profit and net assets attributable to the shareholders of the listed company disclosed in the financial reports prepared under foreign accounting standards and PRC GAAP

Applicable Not applicable

(III) Explanation on the differences between domestic and foreign accounting standards:

Applicable Not applicable

IX. Principal Financial Data for the Year 2017 by Quarter

Unit: Yuan Currency: RMB

	The First Quarter (January – March)	The Second Quarter (April – June)	The Third Quarter (July – September)	The Fourth Quarter (October – December)
Operating revenue	15,716,290,527.84	17,585,475,778.80	18,825,129,256.65	15,420,553,967.03
Net profit attributable to parent company	1,733,653,346.70	1,630,457,754.23	1,573,156,230.86	1,063,617,595.09
Net profit attributable to the shareholders of the listed company for deducting non-recurring gains and losses	1,655,772,676.22	1,462,740,484.84	1,444,114,851.01	765,621,285.11
Net cash flows from operating activities	-529,628,983.67	3,358,705,507.55	3,886,642,421.53	290,578,233.57

Explanation on the differences between the quarterly data and the data disclosed in periodic reports

Applicable Not applicable

X. Non-recurring Gains and Losses and Amounts

Applicable Not applicable

Unit: Yuan Currency: RMB

Items of Non-recurring gains and losses	2017	Note (if applicable)	2016	2015
Gain or loss from disposal of non-current assets	-9,052,222.31		51,869,775.41	-19,594,529.86
Tax refunds, deductions from unauthorized approval, or approval without formal documents or on contingency				
Government subsidies recognized in the current profit or loss (except those government subsidies closely related to normal business, complying with the provisions of government policy and continually obtaining according by certain standard or quantity)	849,342,304.85		1,058,264,981.47	656,760,376.87
The fund possession charge to non-financial enterprises recognized in the current profit or loss				
Yield from the cost spent to obtain the subsidiaries, associates and joint enterprises which is less than the fair value of the identifiable net assets for invested enterprise			63,458,504.64	
Profit or loss of exchanging non-monetary asset				

Items of Non-recurring gains and losses	2017	Note (if applicable)	2016	2015
Profit or loss on entrusted investment or management of assets				
Due to force majeure factors, for example impairment of assets due to natural disasters				
Profit or loss due to debts restructuring				
Enterprise restructuring charges, Such as staffing spending, integration costs, etc.				
Profit or loss on unreasonable trading prices which beyond the fair value				
The profit or loss from the beginning of the period to the date of the merger for consolidated subsidiaries under the same control				
The profit or loss from contingent events non-related to the company's major business				
Except the normal operation of the business related to the effective hedging, the variation of the fair value recognized as profit or loss by holding trading financial asset and financial liability, and the Investment profit obtained on disposal of trading financial asset, trading financial liability and available-for-sale financial asset, are recognized			194,293,802.29	117,030,426.08
Reversal of individual impairment test on account receivables	105,194.30		2,710,611.81	131,553.04
Profit or loss on entrusted loan				
Profit or loss from variation in fair value of investment real estate				
The effect of one-time adjustment on the profit or loss in current period according to the requirements of tax and accounting laws or regulations				
Custody income				
Other non-operating income and expenses not listed above	-25,236,502.99		17,419,536.91	-7,954,352.12
Other profit or loss meet the definition of extraordinary gain or loss				
Minority interest effect amount(after tax)	-603,714.09		-2,789,501.49	-2,609,174.51
Income tax effect	-141,919,430.06		-250,318,400.14	-130,341,388.11
Total	672,635,629.70		1,134,909,310.90	613,422,911.39

XI. Items Measured at Fair Value

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Change for the current period	Effect on profit for the current period
Available-for-sale financial assets	35,200,857.86	44,178,352.50	8,977,494.64	
Total	35,200,857.86	44,178,352.50	8,977,494.64	

XII. Others

Applicable Not applicable



Section III Business Overview

I. Description of Principal Business, Business Model and Industry Conditions for the Company during the Reporting Period

(I) Principal Business and Business Model of the Company during the Reporting Period

1. Business scope

The Company falls within the dairy products manufacturing industry (the “dairy industry”) and its principal business involves the processing, manufacturing and sales of milk and dairy products. It possesses a few series of product offerings, including liquid milk, milk beverage, milk powder, ice cream and yogurt.

During the reporting period, there was no material change in the Company’s principal business.

2. Business model

Based on the division of product series and services, the Company has established four segments of product operations, namely, liquid milk, milk powder, ice cream and yogurt, each with its own business department. Under the strategic planning and professional management of the Company, the business departments are engaged in production, supply and sales operations in their respective business areas.

3. Key performance drivers

In recent years, the Company has remained committed to the principle that “Yili Means Quality” put forward by Chairman Pan Gang and the “Quality Leadership” strategy, with continuous innovation to meet consumer demands and actively promote the sustained and healthy growth of the overall business.

During the reporting period, the Company leveraged its global resource system and innovation system, with product innovation and upgrade as well as precise marketing. Owing to such efforts, the Company recorded 45.7% of its sales revenue from such key products as “Satine”, “Ambrosial”, “Changyi 100%”, “Chang Qing”, “Joy Day”, “Pro-Kido”, “Chocliz” and “Gemice”, with approximately 9.2% sales revenue from its new products represented by the “New Ambrosial Series of Ambient Yogurt”, “Pro-Kido Ruihu Infant Formula”, “Yili Brown Charcoal-Flavored Yogurt”, “Joy Day Flavored Fermented Milk” and “Chocliz Qixuan Chocolate Crispy Ice Cream”.

During the reporting period, the Company continued to consolidate basic management, build its resource integration platform and continuously optimize the operational efficiency of its supply chain, so as to raise the overall operational efficiency.

During the reporting period, the Company recorded total revenue of RMB68.058 billion and a net profit of RMB6.003 billion, representing a year-on-year increase of 12.29% and 5.89% respectively, with basic earnings per share amounting to RMB0.99.

(II) Development Stage, Cyclical Characteristic and Position of the Company in the Industry

1. Development stage and cyclical characteristic of the industry

During the reporting period, the domestic economy presented a momentum of stable development, with the year-on-year growth of national per capita disposable income outpacing that of GDP, a continuously closing income gap between urban and rural residents and a year-on-year increase in the economic growth contribution from consumer spending. Domestically, the consumption of dairy products continued to expand with a recovering industrial growth rate, owing to the higher living standard of average residents, quicker upgrade of food consumption as well as the implementation of such national strategies as “Healthy China” and “Rural Revitalization”.



Driven by consumption upgrades in recent years, consumers adore mid to high-end dairy products, healthy functional dairy products and other dairy products with new packaging and flavor. At the same time, consumers have changed their shopping habits along with the rapid development of channels such as convenience stores, e-commerce platforms and maternal-and-infant stores, as well as the new retail model of online-offline integration. The consumer demand for innovative products and services has also fueled the growth of the dairy market, which has switched from sheer scale expansion to quality and structural upgrade. Hence, the domestic dairy industry has entered a new stage of development.

Dairy products are daily consumer goods for the public, with no conspicuous cyclical characteristic for the industry.

2. Industrial position of the Company

During the reporting period, the Company seized the opportunity of market recovery to actively promote and implement various operating plans, thus achieving sustained and healthy business growth. “Global Dairy Top 20, 2017”, a list released by Rabobank, indicates that the Company steadily ranked among the top 8 in the global dairy industry and continued to lead the Asian dairy industry.

Yili also sustained its top position in the food and beverages industry among BrandZ™ Top 100 Most Valuable Chinese Brands for the year 2017.

II. Description of Significant Changes to Major Assets of the Company during the Reporting Period

Applicable Not applicable

III. Analysis on Core Competitiveness during the Reporting Period

Applicable Not applicable

During the reporting period, the Company experienced no material change in its core competitiveness and enhanced itself in the following aspects:

1. Capability of securing dairy resources from around the globe

During the reporting period, the Company continued to consolidate its strategic collaborative procurement business at a deeper level. Constant work was done to optimize costs, whole-process quality control and collaboration with suppliers as well as improve the service efficiency in relation to procurement orders. As a result, the Company gained an increasingly prominent edge in securing dairy resources from across the globe.

2. An advantageous capacity layout with strategic collaboration

During the reporting period, the Company rolled out “Pro-Kido Ruihu” (金领冠睿护), a new generation of infant formula produced by its production base in Oceania. “Pro-Kido Ruihu Infant Formula”, a product that integrates the advantageous resource from New Zealand and the Company’s research results of the “Chinese Breast Milk Database” for over a decade, staged an outstanding market performance after its launch. Meanwhile, Yili has grown an edge in strategic collaboration in the global industrial chain layout as it pushes forward its systems in three areas, namely, “global resources, global innovation, and global market”.

3. An exceptional brand advantage

During the reporting period, the Company became the only dairy product partner with Beijing 2022 Winter Olympic Games and Paralympics, representing its second partnership with the Olympics. This has injected constant vitality into “Yili”, a brand that serves hundreds of millions of consumers in its health enterprise. Committed to the principle that “Yili Means Quality” with precise brand positioning and communication, the Company has won recognition from even more consumers for its healthy brand image.

4. A sound capability in channel penetration

The Company continued to execute its channel development strategy during the reporting period. While developing new channels

with great efforts, the Company enhanced its channel management in a refined and continuous fashion to elevate the quality of its terminal service, which drove business development effectively. Survey data from Kantar indicated a market penetration rate of 80.1% for the Company's ambient liquid dairy products as of December 2017, representing an increase of 3 percentage points compared with last year. This reflects a year-on-year improvement in the market penetration capability of the products. During the reporting period, the survey data from Nielsen indicated an increase of 2.7 percentage points in the retail market share of the Company's ambient liquid dairy products compared with the same period of last year. Furthermore, there was a rise of 4 percentage points in the distribution of the Company's infant formula through the maternal-and-infant channel, which saw a 38.9% growth in retail sales compared with the same period of last year.



5. Leading capability in product innovation

In recent years, the Company has maintained and propelled its innovation strategies. By delving into consumer demands, the Company is quite effective with its dedicated nutrition research on Chinese babies according to the research results of "Chinese Breast Milk Database", while integrating R&D resources from home and abroad and actively executing innovative cooperation covering the entire industry chain. One product of such dedicated research is the launch of "Pro-Kido Ruihu Infant Formula". During the reporting period, the Company upgraded the packaging and flavor of its Ambrosial Ambient Yogurt with an innovative touch, rolling out a number of new products such as "Joy Day Flavored Fermented Milk", "Yili Brown Charcoal-Flavored Yogurt" and "Chocliz Qixuan Crispy Ice Cream". All these new arrivals have enjoyed a trend of positive sales so far.

As of December 2017, the Company had obtained a total of 2,201 patent licenses (including 469 for invention patents), with all its business covered by patent protection. In addition, the Company won the Chinese Patent Excellence Award (中国专利优秀奖) for three of its existing patents.

6. A management team that pursues excellence with an international perspective

During the reporting period, the Company continued to improve its organizational structure and teamwork. By enhancing its corporate culture and benchmarking with world-class companies, Yili continued to extend the international perspective of its management team and boost the team's management capability under the goal of pursuing excellence.

Section IV Discussion and Analysis on Operations

I. Discussion and Analysis on Operations

At present, increasing resident income has enabled consumption upgrade to become the core driving force for the domestic dairy market to grow at a steady pace. The sustained, healthy growth of the dairy industry will be further propped up by the policy guidance of 2017 Document No.1 from the central government, "Fully Revitalizing the Dairy Industry, Guiding Consumption Expansion and Developing Premium Domestic Brands".

1. In recent years, a growing number of innovative categories have emerged in the dairy market to cater to the upgrade of consumer demands. Survey data from Nielsen indicated a year-on-year increase of 15.6% in the total retail sales of probiotics beverages and yogurt segment over the reporting period, with sustained rapid growth. As the dairy market continues with its segmentation and the expanding consumption of such market segments, new categories will spur the continuous and healthy development of the dairy market. The domestic dairy industry has entered a new stage featuring quality upgrade and innovative development.

2. Currently, along with the rapid development of such channels as convenience stores, e-commerce platforms and maternal-and-infant stores, dairy products have embraced simultaneous growth in online and offline markets. Survey data from Nielsen indicated a year-on-year growth of 15.1% in the retail sales of liquid milk products from convenience stores over the reporting period, a growth pace that is much faster than other offline retail outlets. For the same period, e-commerce monitoring data from iResearch reflected that the e-commerce retail sales of dairy products was worth RMB22.6 billion and represented an increase of 34.6% over the same period of last year, with its fast growth momentum maintained.

3. During the reporting period, rural residents experienced a year-on-year growth of 8.1% in per capita consumption expenditure, 2.2% higher than their urban counterparts. This has effectively stimulated the growth of dairy consumption in third and fourth-tier cities and rural markets. Survey data from Nielsen indicated that the retail sales of liquid milk products increased by 8.8% in third and fourth-tier cities and rural markets compared with the same period of last year. The increase was significantly higher than the retail growth of such products in first and second-tier cities, rendering such lower-tier cities the new engine for dairy consumption growth.



4. During the reporting period, while continuously improving dairy quality and safety supervision, the government formulated and executed the Development Plan for the National Dairy Industry (2016-2020), with a series of policies and measures in place such as the product formula registration management system for infant formula milk powder. Further, work has been done to establish a strict quality supervision system for the entire industry chain and an efficient and safe production system, which have offered robust assurance of dairy quality and safety.

On 30 June 2017, the General Office of the State Council issued the Plan on National Nutrition (2017-2030), under which the government will be engaged in systematic planning and implementation starting from the popularization of knowledge on food nutrition and health as well as vigorous development of the food nutrition and health sectors. As a representative of nutritious and healthy food, dairy products will provide nutrition improvement and health care for more and more people. Against the backdrop, a key factor to the success of healthy corporate development lies in accurate identification and swift satisfaction of consumer demands.

5. During the reporting period, prices of sugar and paper packaging materials were stagnantly high in the domestic market, whereas the trading price of whole milk powder has shown a momentum of continuous growth since the second half of the year. Affected by these trends, dairy businesses were exposed to more cost control pressure in 2017 than last year.

6. During the reporting period, the purchase price of raw milk remained largely stable in China.

II. Business Operation during the Reporting Period

During the reporting period, the Company recorded total revenue of RMB68.058 billion and a net profit of RMB6.003 billion, representing an increase of 12.29% and 5.89% over the same period of last year respectively.

(I) Analysis of Principal Business

A Table of Analysis of Changes to Relevant Items in Income Statement and Cash Flows Statement

Unite: Yuan Currency: RMB

Item	Amount for the current Period	Amount for the same period of last year	Percentage of change (%)
Operating revenue	67,547,449,530.32	60,312,009,671.16	12.00
Operating cost	42,362,402,660.65	37,427,435,447.17	13.19
Selling expenses	15,521,862,502.34	14,114,316,499.65	9.97
Administrative expenses	3,317,048,744.48	3,456,666,028.41	-4.04
Finance expenses	113,485,343.63	23,879,679.28	375.24
Net cash flows from operating activities	7,006,297,178.98	12,817,325,815.25	-45.34
Net cash flows from investing activities	-3,116,811,368.88	-3,243,212,119.84	N/A
Net cash flows from financing activities	4,052,806,623.02	-8,814,533,066.40	N/A
R&D expense	209,165,263.62	171,962,177.71	21.63

1. Analysis of revenue and cost

✓ Applicable □ Not applicable

(1) For the current period, the main business revenue from liquid milk products amounted to RMB55.766 billion, representing an increase of RMB6.244 billion over the previous period and a 12.61% year-on-year increase. The cost of its main business amounted to RMB36.156 billion over the period, representing an increase of RMB4.442 billion over the previous period and a 14.01% year-on-year growth. In particular, an increase in sales volume contributed to RMB5.544 billion in revenue growth and RMB3.555 billion in cost increment. Apart from that, product restructuring contributed to a revenue increase of RMB1.061 billion, while changes to sales price resulted in a revenue decline of RMB361 million and an additional cost of RMB887 million was generated by changes to material prices and product restructuring.

(2) During the period, the main business revenue from milk powder and dairy products amounted to RMB6.428 billion, representing an increase of RMB973 million over the previous period and a 17.83% year-on-year growth. The cost of main business amounted to

RMB2.960 billion for the period, representing an increase of RMB569 million over the previous period and a 23.80% year-on-year growth. In particular, an increase in sales volume contributed to RMB626 million in revenue growth and RMB274 million in cost increment. Apart from that, changes to sales price and product restructuring contributed to RMB32 million and RMB315 million in revenue growth respectively, while an additional cost of RMB295 million was generated by changes to material prices and product restructuring.

(3) During the period, the main business revenue from ice cream amounted to RMB4.606 billion, representing an increase of RMB412 million over the previous period and a 9.82% year-on-year growth. The cost of main business amounted to RMB2.622 billion for the period, representing an increase of RMB233 million over the previous period and a 9.77% year-on-year growth. In particular, a reduction in sales volume resulted in a decline of RMB43 million and RMB25 million in revenue and cost respectively. Apart from that, changes to sales price and product restructuring contributed to RMB97 million and RMB358 million in revenue increase respectively, while an additional cost of RMB258 million was generated by changes to material prices and product restructuring.

(4) During the period, interest revenue amounted to RMB511 million, representing an increase of RMB214 million over the previous period and a 71.84% year-on-year growth. Such growth in interest revenue mainly came from the increase in inter-bank deposits and deposits placed in the central bank by the subsidiary Yili Finance Co., Ltd. as well as higher interest rates for the current period, which together had an impact on the interest revenue increase for the period.

(1) Segment, product and regional operation of the main business

Unite: Yuan Currency: RMB



Main Business by Segment						
Segment	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increase /decrease compared with last year (%)	Increase/Decrease in operating cost compared with last year (%)	Increase /Decrease in gross profit margin compared with last year (%)
Production of liquid milk and dairy products	66,800,656,583.43	41,737,366,420.23	37.52	12.89	14.37	Decrease by 0.81 percentage point
Principal Business by Product						
Product	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increase /decrease compared with last year (%)	Increase/Decrease in operating cost compared with last year (%)	Increase /Decrease in gross profit margin compared with last year (%)
Liquid milk	55,766,205,751.55	36,155,703,620.97	35.17	12.61	14.01	Decrease by 0.79 percentage point
Milk powder and dairy products	6,428,383,353.21	2,959,988,264.19	53.95	17.83	23.80	Decrease by 2.22 percentage points
Ice cream products	4,606,067,478.67	2,621,674,535.07	43.08	9.82	9.77	Increase by 0.03 percentage point
Principal Business by Region						
Region	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increase /decrease compared with last year (%)	Increase/Decrease in operating cost compared with last year (%)	Increase /Decrease in gross profit margin compared with last year (%)
Northern China	20,113,348,303.27	12,427,615,039.82	38.21	7.64	8.82	Decrease by 0.68 percentage point
Southern China	18,497,641,225.43	11,729,633,381.47	36.59	9.59	11.12	Decrease by 0.87 percentage point
Others	28,189,667,054.73	17,580,117,998.94	37.64	17.22	18.59	Decrease by 0.71 percentage point

Description of main business by segment, product and region

 Applicable Not applicable

(2) A Table of analysis of production and sales

 Applicable Not applicable

Main Products	Production	Sales	Inventory	Increase/Decrease in production compared with last year (%)	Increase/Decrease in sales compared with last year (%)	Increase/Decrease in inventory compared with last year (%)
Liquid milk	7.246 million tons	7.2689 million tons	192,400 tons	9.52	11.21	-10.66
Milk powder and dairy products	94,200 tons	94,100 tons	10,400 tons	6.34	11.48	0.98
Ice cream products	381,400 tons	382,800 tons	6,100 tons	-1.97	-1.03	-18.41

Description of production and sales

Not applicable.

(3) A table of cost analysis

Unit: Yuan

		By Segment					Explanation
Industry	Cost component	Amount for the current period	Proportion in total cost for the current period (%)	Amount of the same period of last year	Proportion in total cost for the same period of last year (%)	Changes to the amount for the current period compared with the same period of last year (%)	
Production of liquid milk and dairy products	Direct materials	36,564,934,463.46	87.61	31,916,251,084.66	87.46	14.57	
	Direct labor	1,306,646,367.83	3.13	1,229,002,231.23	3.37	6.32	
	Production expenses	3,865,785,588.94	9.26	3,348,002,197.16	9.17	15.47	
		By Product					Explanation
Product	Cost component	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of last year	Proportion in total cost for the same period of last year (%)	Changes to the amount for the current period compared with the same period of last year (%)	
Liquid milk	Direct materials	32,272,038,461.80	89.26	28,280,708,565.74	89.18	14.11	
	Direct labor	922,569,092.17	2.55	875,765,505.67	2.76	5.34	
	Production expenses	2,961,096,067.00	8.19	2,557,357,967.21	8.06	15.79	
Milk powder and dairy products	Direct materials	2,376,607,476.27	80.29	1,915,926,279.91	80.13	24.04	
	Direct labor	129,534,545.07	4.38	95,738,812.19	4.00	35.30	
	Production expenses	453,846,242.85	15.33	379,341,030.77	15.87	19.64	
Ice cream products	Direct materials	1,916,288,525.39	73.09	1,719,616,239.01	72.00	11.44	
	Direct labor	254,542,730.59	9.71	257,497,913.37	10.78	-1.15	
	Production expenses	450,843,279.09	17.20	411,303,199.18	17.22	9.61	

Other information relating to cost analysis

 Applicable Not applicable


(4) Major customers and suppliers

 Applicable Not applicable

Sales to the top five customers amounted to RMB1,997,048,800, accounting for 2.96% of the total annual sales. Of the aforementioned amount, sales to related parties was RMB0, accounting for 0% of the total annual sales.

Purchase from the top five suppliers amounted to RMB6,215,482,300, accounting for 17.00% of the total annual purchase. Of the aforementioned amount, the purchase from related parties amounted to RMB966,326,500, accounting for 2.64% of the total annual purchase.

Other explanations

Not applicable.

2. Expenses

 Applicable Not applicable

Unit: Yuan

Item	Amount for the current period	Amount for the same period of last year	Amount of change	Range of change
Interest expenses	141,666.67		141,666.67	N/A
Finance expenses	113,485,343.63	23,879,679.28	89,605,664.35	375.24%
Investment profit	134,679,258.02	399,261,007.93	-264,581,749.91	-66.27%
Gain from assets disposal	12,178,238.41	3,716,606.73	8,461,631.68	227.67%
Other income	788,013,845.50		788,013,845.50	N/A
Non-operating income	85,597,784.38	1,163,190,818.28	-1,077,593,033.90	-92.64%
Non-operating expenses	127,535,613.09	55,247,632.94	72,287,980.15	130.84%
Total comprehensive income attributable to minorities	1,930,048.23	7,227,489.73	-5,297,441.50	-73.30%

(1) Higher interest expenses were due to the interest expenses arising from placements from banks and other financial institutions by the subsidiary, Yili Finance Co., Ltd., for the period.

(2) Higher finance expenses were mainly caused by the increase in bank borrowings for the current period which resulted in more interest expenses for borrowings accordingly.

(3) The decrease in Investment profit was mainly due to the fact that the disposal of China Huishan Dairy Holdings Co., Ltd. and Inner Mongolia Youran Livestock Co., Ltd.'s equity in the previous period resulted in a relatively large Investment profit in the previous period.

(4) The increase in gain from assets disposal was mainly due to the higher gains from disposal of machinery and equipment for the current period.

(5) Higher other income and lower non-operating income were principally caused by the Company's implementation of the revised <Accounting Standards for Enterprises No. 16 - Government Subsidies > (Accounting [2017] No. 15) for the current period. Accordingly, since 1 January 2017, the Company has transferred the presentation of its government subsidies relating to daily corporate activities from "non-operating income" to "other income".

(6) The reason for the increase in non-operating expenses is due to the increase in donation expenses during the period.

(7) Less total comprehensive income attributable to minorities were caused by lower net profit recorded by the holding subsidiaries for the current period.

3. R&D investment

A Table of R&D Investment

Applicable Not applicable

	Unit: Yuan
R&D investment expensed for the current period	209,165,263.62
R&D investment capitalized in the current period	
Total R&D investment	209,165,263.62
Percentage of total R&D investment in operating revenue (%)	0.31
Number of R&D personnel in the Company	341
Percentage of R&D personnel in the total number of personnel of the Company (%)	0.64
Percentage of capitalized R&D investment (%)	

Explanation

Applicable Not applicable

With long-term commitment to and promotion of its innovation strategies, the Company further deepens its global presence, integrates global intelligence resources and upgrades its innovation mechanism to continuously bolster its capabilities in technological innovation and product development. The Company has established a number of leading platforms for technical R&D and joint research between businesses and universities, with increasingly greater international cooperation, more intensive talent training and introduction as well as persistent advancement in basic research to improve the industry innovation capability. At the



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same time, Yili remains focused on consumers and oriented towards market demand, leveraging big data technology to understand and study the potential demands from consumers. The research results are then applied to innovation, quality improvement and manufacturing, so that a variety of products can be provided to satisfy various consumer demands and lead the industry development.

4. Cash flows

Applicable Not applicable

Item	Amount for the current period	Amount for the same period of last year	Unit: Yuan	
			Amount of change	Range of change
Net increase in deposits with central bank and inter-bank	578,481,739.38	-411,890,679.22	990,372,418.60	N/A
Cash paid for interest expense, charges and commissions	141,666.67		141,666.67	N/A
Net cash flows from operating activities	7,006,297,178.98	12,817,325,815.25	-5,811,028,636.27	-45.34%
Cash received from withdraw of investments	14,522,215.51	420,647,517.49	-406,125,301.98	-96.55%
Cash received from investment income	53,138,113.89	133,210,695.75	-80,072,581.86	-60.11%
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	72,802,045.59	22,875,847.30	49,926,198.29	218.25%
Net cash received from disposal of subsidiaries and other business units		1,227,900,964.31	-1,227,900,964.31	-100.00%
Other cash received relevant to investing activities	139,085,711.45		139,085,711.45	N/A
Cash payments for investments	45,000,000.00	1,489,238,057.00	-1,444,238,057.00	-96.98%
Other cash payments related to investing activities		139,601,930.34	-139,601,930.34	-100.00%
Cash received from investments by others	217,686,000.00		217,686,000.00	N/A
Cash received from borrowings	8,460,000,000.00	550,000,000.00	7,910,000,000.00	1,438.18%
Cash repayments for debts	750,000,000.00	6,588,000,000.00	-5,838,000,000.00	-88.62%
Cash payments for distribution of dividends, profit and interest expenses	3,845,428,901.98	2,776,233,066.40	1,069,195,835.58	38.51%
Other cash payments related to financing activities	29,450,475.00	300,000.00	29,150,475.00	9,716.83%

(1) The higher net increase in deposits with central bank and inter-bank was caused by the increase in statutory deposit reserve from the subsidiary, Yili Finance Co., Ltd., for the current period.

(2) More cash paid for interest expense, charges and commissions was due to interest payment for the borrowings from banks and other financial institutions by the subsidiary Yili Finance Co., Ltd. for the current period.

(3) The decrease in net cash flows from operating activities was mainly caused by: (i) an increase in cash payment in the current period due to higher prices of some raw and auxiliary materials; (ii) an increase in net deposits with the central bank by the financial subsidiary in the current period, which resulted in the decrease in net cash flows from operating activities; and (iii) higher enterprise income tax and value-added tax for the current period compared with the same period of last year.

(4) The reduction in cash received from withdraw of investments was due to the investment withdrawal and disposal of the equity interest in China Huishan Dairy Holdings Co., Ltd. (中国辉山乳业控股有限公司) in the previous period, which resulted in the receipt of a considerable sum of cash for that period.

(5) The reduction in cash received from investment income was caused by less cash dividends received from Mianyang Science and Technology City Industrial Investment Fund (绵阳科技城产业投资基金) and CITIC Industrial Investment Fund Management Co., Ltd. (中信产业投资基金管理有限公司) for the current period.

(6) The increase in net cash received from disposal of fixed assets, intangible assets and other long-term assets came from the additional cash received from the disposal of machinery and equipment during the current period.

(7) The decrease in net cash received from disposal of subsidiaries and other business units was caused by the large amount received from disposal of the equity interests in Inner Mongolia Youran Livestock Co., Ltd (内蒙古优然牧业有限责任公司) in the previous

period.

(8) The increase in other cash received relevant to investing activities was owing to the recovery of such time deposits that could not be withdrawn before maturity by the subsidiary, Oceania Dairy Limited, in the current period.

(9) The decrease in cash payments for investments was caused by the large sum of cash payment for investing in China Youran Dairy Holding Limited in the previous period.

(10) The decrease in other cash payments related to investing activities was due to the fact that the subsidiary, Oceania Dairy Limited, placed in a commercial bank such time deposits that could not be withdrawn before maturity during the previous period, whereas no such business occurred in the current period.

(11) The increase in cash received from investments by others came from the cash received from the issuance of restricted shares to equity incentive targets in the current period.

(12) The increase in cash received from borrowings came from more short-term bank borrowings in the current period.

(13) The reduction in cash repayments for debts was caused by less short-term bank borrowings due for repayment in the current period.

(14) The increase in cash payments for distribution of dividends, profit and interest expenses was due to the increase in dividend distribution by the Company and the additional interest payment for more bank borrowings in the current period.

(15) The increase in other cash payments related to financing activities was due to the payment of finance leases in the current period.

(II) Explanation on the Material Change in Profit due to Non-main Business

Applicable Not applicable

(III) Analysis of Assets and Liabilities

Applicable Not applicable



1. A table of assets and liabilities

Unit: RMB

Item	Amount as at the end of the current period	Percentage of total assets as at the end of the current period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Percentage of change in the closing amount compared with the previous period (%)	Explanation
Cash and cash equivalent	21,823,066,175.50	44.27	13,823,654,267.84	35.21	57.87	
Notes receivable	163,597,000.00	0.33	114,360,000.00	0.29	43.05	
Accounts receivable	786,140,204.59	1.59	572,137,397.50	1.46	37.40	
Prepayments	1,192,434,176.04	2.42	558,390,402.57	1.42	113.55	
Interest receivable	188,447,046.71	0.38	35,138,313.96	0.09	436.30	
Other current assets	1,007,391,592.71	2.04	690,496,007.23	1.76	45.89	
Construction in progress	1,887,857,336.13	3.83	1,343,596,812.57	3.42	40.51	
Construction material	14,208,300.58	0.03	51,897,322.77	0.13	-72.62	
Intangible assets	514,361,212.49	1.04	990,882,120.87	2.52	-48.09	
Long-term deferred expenses	69,195,040.35	0.14	143,653,075.29	0.37	-51.83	
Short-term borrowings	7,860,000,000.00	15.94	150,000,000.00	0.38	5,140.00	
Notes payable	215,276,807.81	0.44	337,619,879.05	0.86	-36.24	
Interest payable	9,326,783.74	0.02	67,375.00	0.00	13,743.09	
Dividends payable	73,131,211.86	0.15	49,930,411.78	0.13	46.47	
Non-current liabilities due within one year	24,191,543.48	0.05			N/A	
Other current liabilities	11,930,958.27	0.02	64,700,478.79	0.16	-81.56	
Long-term payables	64,037,282.56	0.13			N/A	
Deferred income	146,186,181.18	0.30	1,118,641,295.55	2.85	-86.93	
Other comprehensive income	-71,393,317.81	-0.14	361,950,012.64	0.92	-119.72	

Other explanation:

- (1) The increase in cash and cash equivalent mainly came from the additional net cash flows generated from operating and financing activities for the current period.
- (2) The increase in notes receivable mainly because the company sales settled through bank acceptance draft has increased for the period
- (3) The increase in accounts receivable was a consequence of the sales settled through account receivable from direct distributor and online retailer platforms increased.
- (4) The increase in prepayments was a consequence of prepayment for AD increased
- (5) The increase in interest receivable was a consequence of the company's subsidiary Yili Finance Co., Ltd. has increased its central bank deposit, and the interest rate for the period has been increased.
- (6) The increase in other current assets came from more receivable security funds of the subsidiary Huishang Commercial Factoring Co.,Ltd (惠商商业保理有限公司) for the current period.
- (7) The increase in construction in progress mainly due to the increase in liquid milk reform and expansion project in the current period.
- (8) The decrease in construction material was because Huazhong Yoghurt Project requisitioned for construction materials.
- (9) The decline in intangible assets came from the implementation of the revised <Accounting Standards for Enterprises No. 16 - Government Subsidies > (Accounting [2017] No. 15), and the government subsidies related to assets are offset by intangible assets..
- (10) The decline in long-term deferred expenses was mainly caused by amortization for the current period.
- (11) The increase in short-term borrowings was caused by purchasing raw materials in the current period.
- (12) The decrease in notes payable was caused by a decline in the amount of settlement via bank acceptance note for purchasing raw and auxiliary materials for the current period.
- (13) The increase in interest payable was because the increase in short-term bank borrowings in this period led to an increase in accrued interest payable.

(14) The increase in dividends payable was mainly due to the fact that the limited-sale conditions shareholders have not gone through the withdrawal procedure after the Company distributed cash dividends for the current period.

(15) The increase in non-current liabilities due within one year was caused by more long-term payables due within one year.

(16) The decline in other current liabilities was mainly because in comply with the recently updated <Accounting Standards for Enterprises No. 16 - Government Subsidies > (Accounting [2017] No. 15), the amortization of asset-related deferred income within one year reversed the related assets.

(17) The increase in long-term payables came from financing leased fixed assets during the current period.

(18) The decline in deferred income was mainly caused by the write-down of underlying assets by asset-related government subsidies under deferred income, following the implementation of the revised <Accounting Standards for Enterprises No. 16 - Government Subsidies > (Accounting [2017] No. 15) by the Company for the current period.

(19) The decrease in other comprehensive income mainly came from less exchange difference between foreign currency statements of the subsidiary that has adopted RMB as its functional currency due to the rising exchange rate of RMB against US\$.

2. Major restricted assets as of the end of the reporting period

Applicable Not applicable

3. Other explanation

Applicable Not applicable

(IV) Analysis on Industry Operating Information

Applicable Not applicable

During the reporting period, the domestic dairy industry presented the following characteristics:

1. In respect of suppliers, industry information indicates that 611 domestic dairy processing businesses were included in the statistic scope for the reporting period, representing a decrease of 16 businesses compared with last year; an aggregate of 29.35 million tons of dairy products were processed and manufactured for the whole year, representing an increase of 4.2% (on a comparable basis) in comparison with last year; total sales income amounted to RMB359.041 billion, representing an increase of 6.77% (on a comparable basis) in comparison with last year; and total profit amounted to RMB24.487 billion, representing a decline of 3.27% (on a comparable basis) in comparison with last year.

2. In respect of market consumption, survey data from Nielsen suggested that during the reporting period, the offline retail sales of all kinds of dairy products increased by 8.7% over last year. Compared with last year, there was a 7.5% increase in the retail sales of ambient liquid dairy products, an 8.5% increase in the retail sales of chilled liquid dairy products, and an 11.5% increase in that of infant formula milk powder through supermarkets and the maternal-and-infant channel. Furthermore, there was an 11.6% increase in the sum of online and offline retail sales of infant formula milk powder compared with last year, and a 10.2% growth in the retail sales of adult milk powder over last year.



(V) Investment Analysis

1. General analysis of external equity investment

Applicable Not applicable

The following table sets out the specifics of external equity investment of the Company as of the end of the reporting period:

		Unit: Yuan		Currency: RMB			
Name of investee	Accounting item	Beginning balance	Increase/Decrease	Ending balance	Percentage of shareholding in the investee (%)	Provision for impairment	Cash dividend for the current period
Hulunbair Shengxin Investment Co., Ltd. (呼伦贝尔盛鑫投资有限公司)	Long-term equity investments	18,882,903.01	-222,309.14	18,660,593.87	40.00		
Shandong New Jufeng Technology Packaging Co., Ltd. (山东新巨丰科技包装股份有限公司)	Long-term equity investments	116,200,077.10	13,242,977.46	129,443,054.56	18.00		5,016,674.88
China Youran Dairy Holding Limited	Long-term equity investments	1,447,287,486.99	121,968,062.91	1,569,255,549.90	40.00		
Beijing Jiuyang Wisdom Investment Fund Management Limited (北京久阳智慧投资基金管理有限公司)	Long-term equity investments	48,729,883.03	-903,984.61	47,825,898.42	24.50		
Chengdu Bank Co., Ltd. (成都银行股份有限公司)	Available-for-sale financial assets	81,250,000.00		81,250,000.00	1.00		8,125,000.00
Mianyang Science and Technology City Industrial Investment Fund (绵阳科技城产业投资基金)	Available-for-sale financial assets	90,361,429.05	-14,522,215.51	75,839,213.54	2.22		38,571,235.42
CITIC Industrial Investment Fund Management Co., Ltd. (中信产业投资基金管理有限公司)	Available-for-sale financial assets	121,500,000.00		121,500,000.00	5.00		
Inner Mongolia Yisheng Biotechnology Co., Ltd. (内蒙古伊生生物有限公司)	Available-for-sale financial assets	400,000.00		400,000.00	10.00		
Shenzhen Huatai Ruilin Equity Investment Fund Partnership (深圳市华泰瑞麟股权投资合伙企业)	Available-for-sale financial assets	34,000,000.00		34,000,000.00	10.00		
United Zhongya (Hohhot) Packaging Co., Ltd. (合众创亚(呼和浩特)包装有限公司)	Available-for-sale financial assets	10,418,992.39		10,418,992.39	18.64		
Guokai Boyu Phase I (Shanghai) Equity Investment Partnership (国开博裕一期(上海)股权投资合伙企业)	Available-for-sale financial assets	194,233,037.00		194,233,037.00	4.09		1,425,203.59
Hohhot in Haikou Office (呼和浩特市海口办事处)	Available-for-sale financial assets	50,000.00		50,000.00			50,000.00
Hohhot Mall Real Estate (呼市商城房地产)	Available-for-sale financial assets	300,000.00		300,000.00			300,000.00
Inner Mongolia Collaborative Innovation Equity Investment Fund Co., Ltd. (内蒙古协同创新股权投资基金股份有限公司)	Available-for-sale financial assets	20,000,000.00		20,000,000.00	3.12		
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership) (北京华泰新产业成长投资基金(有限合伙))	Available-for-sale financial assets	25,000,000.00		25,000,000.00	1.98		
CITICPE Holdings Limited	Available-for-sale financial assets	35,200,857.86	8,977,494.64	44,178,352.50	5.00		
Inner Mongolia Steppe Cultural Film Industry Fund (Limited Partnership) (内蒙古草原文化影视产业基金(有限合伙))	Available-for-sale financial assets		45,000,000.00	45,000,000.00	9.00		
Total		2,243,814,666.43	173,540,025.75	2,417,354,692.18		350,000.00	53,138,113.89

(1) Significant equity investment

Applicable Not applicable

(2) Significant non-equity investment

Applicable Not applicable

The following table sets out the Company's projects under construction during the reporting period:

		Unit: 0,000 Yuan		Currency: RMB	
Name of project	Amount	Percentage of completion	Investment for the current year	Accumulated investment	Funding
Liquid milk	493,993.83	56.58%	173,253.37	279,485.05	Self-funded
Milk powder	57,651.17	79.29%	16,822.14	45,712.56	Self-funded
Ice cream	26,048.39	69.85%	13,586.48	18,194.21	Self-funded
Yogurt	207,273.41	32.48%	40,941.72	67,323.88	Self-funded
Others	49,048.35	33.44%	5,768.05	16,399.40	Self-funded
Total	834,015.15		250,371.76	427,115.10	

The above table covers the classification of projects under construction disclosed by product type as of the end of 2017. There is no single project under construction involving a considerable amount due to the large number of projects under construction.

(3) Financial assets measured at fair value

✓ Applicable □ Not applicable

The following table sets out the financial assets measured at fair value held by the Company and their returns on investment for the reporting period:

Project	Initial investment cost	Percentage of Shareholding in the Company as at the end of the period(%)	Unit: Yuan Currency: RMB			
			Book value at the beginning of the period	Amount for the period	Book value at the end of the period	Returns on investment for the period
CITICPE Holdings Limited	7,187,620.00	5.00	35,200,857.86	8,977,494.64	44,178,352.50	

(VI) Major Assets and Equity Disposal

□ Applicable ✓ Not applicable

(VII) Analysis of Major Holding and Joint Stock Companies

✓ Applicable □ Not applicable

1. Principal subsidiaries

Full name of subsidiary	Business scope	Unit: 0'000 Yuan Currency: RMB			
		Registered capital	Total assets	Net assets	Net profit
Weifang Yili Dairy Co., Ltd.	Production and sale of dairy products (sterilized milk and modified milk); acquisition and sale of agricultural products; production and sale of relevant raw and auxiliary materials as well as packaging materials; and self-operation and agency of importing and exporting various goods and technologies	48,000	124,974	85,372	17,583
Yili Finance Co., Ltd.	Provision of financial advisory service for member units, credit verification and related consultation and agency services; assisting member units to collect and pay transaction funds; offering approved insurance agency; providing guarantee for member units; handling entrusted loans between member units; handling bill acceptance and discount for member units; and handling internal transfer and corresponding settlement between member units	100,000	1,534,007	205,336	36,990
Oceania Dairy Limited	Production, processing and sale of dairy products	NZD423.54 million	186,278	170,186	-6,376
Inner Mongolia Jinderui Trade Co., Ltd. (内蒙古金德瑞贸易有限责任公司)	Sale of pre-packaged food and dairy products, excluding infant formula milk powder	5,000	187,030	12,644	774
Hubei Huanggang Yili Dairy Co., Ltd. (湖北黄冈伊利乳业有限责任公司)	Production and sale of beverages, dairy products, ice cream, plastic containers for foods, and pastries; acquisition and sale of raw and fresh milk; production and sale of relevant raw and auxiliary materials as well as packaging materials, and import of production equipment	79,700	177,338	116,104	6,403
HongKong Jingang Trade Holding Co., Limited	Trade and investment	USD1,048.24 million	665,752	663,411	4,764
Yili International Development Co., Ltd. (伊利国际发展有限公司)	Investment	USD183.84 million	128,884	128,865	-20
Ningxia Yili Dairy Co., Ltd. (宁夏伊利乳业有限责任公司)	Production and sale of dairy products (liquid milk, sterilized milk, modified milk and other dairy products (cream and single cream), beverages (protein beverages) and fermented milk	28,000	129,671	80,814	20,227
Huishang Commercial Factoring Co., Ltd. (惠商商业保理有限公司)	Factoring (not bank financing)	60,000	145,198	62,523	1,752
Luanxian Yili Dairy Co., Ltd. (滦县伊利乳业有限责任公司)	Production and sale of dairy products and beverages; acquisition and sale of milk; sale and import of packaging materials and dairy production equipment	37,000	110,256	75,746	18,344

2. New subsidiaries

Unit: 0'000 Yuan Currency: RMB

Name of subsidiary	Business scope	Method of acquisition	Registered capital	Net assets at the end of period	Net profit for the period
Inner Mongolia Yili Management Consulting Co., Ltd. (内蒙古伊利管理咨询有限公司)	Business information consultation, conference and exhibition services, social and economic consultation (excluding the financial industry), professional design service, cattle breeding, and other consultation services	Investment	100	134	34
Inner Mongolia Huishang Internet micro-loan Co., Ltd. (内蒙古惠商互联网小额贷款有限公司)	Issuing small loans, consultation service on small loans, and other businesses approved by the finance office of the autonomous region. In particular, the loan business can take place nationwide through online platforms approved by and filed with regulatory authorities.	Investment	30,000	29,951	-49

(VIII) Structured Entities Controlled by the Company

□ Applicable ✓ Not applicable

III. Discussion and Analysis on the Future Development of the Company

(I) Industry Landscape and Trend

✓ Applicable □ Not applicable

As for the future, opportunities and challenges coexist in the development of the domestic dairy industry.

1. Despite its great potential, the dairy consumption market faces a more complex environment in terms of demand and requires long-term investment in market development. At present, the domestic per capita dairy consumption is less than 20% of that of the developed countries in Europe and America. Such a gap provides ample room of development for the dairy market, which is also supported by the changing dietary habits among consumers and the greater spending power on average. Nonetheless, the industry is also confronted by the following issues. Traditional dairy products have a high market penetration rate in large and medium-sized cities, while little change has occurred to the average amount of consumption and consumers tend to pursue high-end and diverse products. Apart from that, the market is still exploring third and fourth-tier cities and rural markets, which present many development opportunities but require continuous investment on cultivation and construction.

2. The dairy market will continue to maintain its momentum of steady development, as residents enjoy an improving living standard with faster upgrade of food consumption. In the future, the potential of market growth will be further stimulated by the consumer demand for innovative products and services, which will generate new growth points. Meanwhile, dairy businesses will also face the challenge from innovative development, and require a continuous stream of substantial investment in technological innovation, product R&D and the development of new channels.

3. In the era of quality consumption where more consumers have accepted the food concept of "universal health", a growing number of domestic and overseas businesses and capital have been attracted to the dairy industry, an industry featuring healthy and nutritious products as well as good growth potential in the domestic market. As such, the dairy industry is embracing an emerging trend of "global integration", which will reshape the competition landscape of the dairy market. However, from another angle, such a trend brings more fresh opportunities of business development to domestic dairy firms and helps them to go abroad, establish a world-class platform for technological exchanges and cooperation and develop new markets.





4. At present, the domestic dairy processing industry is faced with higher prices of raw and auxiliary materials, energy, logistics and transportation, all of which have exerted mounting pressure on dairy companies for comprehensive cost control.

(II) Development Strategies of the Company

Applicable Not applicable

In the future, the Company will continue to advance towards “Top 5 Global Dairy Companies”, a strategic objective raised by Chairman Pan Gang. In this regard, the Company will stay committed to its principle that “Yili Means Quality” and execute the following strategic initiatives on top of the “Quality Leadership” strategy:

1. Drive the healthy and sustainable development of business through innovation, with the aim of meeting consumer demands.
2. Improve profitability under the guidance of “Precise Marketing, Lean Operation and Precise Management”.
3. Increase new business and profit growth points by seizing the opportunity of expanding international business.
4. Enhance the principal business as the foundation of corporate culture, under the motto of “Seeking Continuous Improvement, Pursuing Excellence and Achieving Constant Breakthroughs”.

(III) Operational Plans

Applicable Not applicable

Operation of the Company in 2017

During the reporting period, the Company remained committed to “Yili Means Quality”, a principle put forward by Chairman Pan Gang, and the “Quality Leadership” strategy. Seeking breakthroughs with its innovation and international drive, Yili sustained the healthy growth of its business and executed its policy of “Precise Marketing, Lean Operation and Precise Management”, which reinforced its core operational capabilities. The details of such implementation are illustrated as follows:

1. Enhancing the world-leading whole-chain end-to-end independent quality management system and the efficient risk prevention and control system

During the reporting period, the Company continued with its “Quality Leadership” strategy and upheld the principle of “Zero Tolerance” on food safety hazards. Yili is consistent in improving its quality management mechanism and the “Quality Leading” management system, by establishing and maintaining the highest quality standards in the industry and implementing an independent quality management system with full force.

On top of the whole-industry-chain food-safety early-warning system established in the early stage, the Company introduced the advanced international methods of food safety management and control together with techniques for analyzing unknown risks during the reporting period. A quality accountability mechanism has been put in place that covers the entire process from milk source, procurement, production and sales. The mechanism is designed to offer robust technical service for the quality supervision over daily production and operation as well as early warning of food and production risks.

2. Sustaining innovation-driven development, proactively expanding international business and realizing sustainable and healthy business growth

During the reporting period, the Company improved its consumer research system and integrated the R&D resources from home and abroad, to quickly develop new products that satisfy consumer demand. Product innovation capability has become the impetus that drives continuous business growth of the Company.

During the reporting period, the Company also upgraded the “Ambrosial Ambient Yogurt” with innovative packaging and flavor, and rolled out an upgraded formula for “Pro-Kido Ruihu Infant Formula Milk Powder” to cater to consumer demand. Meanwhile, the Company launched a number of new products such as “Joy Day Flavored Fermented Milk”, “Yili Brown Charcoal-flavored Yogurt” and “Chocliz Qixuan Crispy Ice Cream”. Each of the new arrivals, with its unique package design or flavor to attracts consumers, has become the star products that boost the business growth of the Company.

During the reporting period, the Company continued to carry out its “Global Networking” strategy and actively expand its international business, with three basic systems in place to secure global resources, conduct global R&D and reach to the global market respectively. Currently, the Company is making steady progress with its international business.

3. Maintaining the guideline of “Precise Marketing, Lean Operation and Precise Management” to cultivate outstanding operational capabilities

During the reporting period, the Company continued to build on its consumer research system, with consumer demand as its orientation and “Product Quality and Healthy Lifestyle” as the theme, to organically integrate the concept of healthy lifestyle with brand building. Accordingly, a host of marketing campaigns were launched to promote Yili’s quality upgrade, with various consumer experience activities taking place, all of which have further enhanced the core asset value of Yili as a brand.

During the reporting period, the Company kept on integrating its online and offline resources, and vigorously promoted its business development through such channels as e-commerce platforms, maternal and infant outlets and convenience stores. While strengthening its cooperation with key retailers, the Company took the initiative to adapt to the development trend of retail industry and explore new model of channel cooperation. Under such active business expansion, multiple innovative approaches have been put in place, such as establishing a marketing platform for members and online retail partnerships. During the reporting period, the

Company recorded a 130% increase in the revenue from its e-commerce operation compared with last year, a 38.9% year-on-year growth in retail sales through the maternal-and-infant channel, and a 0.7% year-on-year increase in the market share of its retail sales of ambient liquid milk in convenience stores.

During the reporting period, intensive work on channel development enabled the Company to incorporate more terminal outlets into its standard services and management, deliver rapid response to market demands and refined management, and lift the input-output efficiency of its marketing resources. As of the end of 2017, the Company directly controlled 530,000 village outlets, representing an increase of 54% over the previous year and the continuously improving market penetration.

During the reporting period, the Company was effective in raising the operational efficiency of its supply chains by improving the synergy of its production and sales as well as enhancing the supply chain service.

4. Engaging in integration and planning, and building a sharing platform that integrates information, human resources and finance to serve business development in the new era.

During the reporting period, the Company strived to build a sharing platform integrating information, human resources and finance. Such platform-based management further improved the management efficiency of the Company.

5. Striving to turn Yili culture into concrete action and enable every Yili employee to act on “Excellence, Accountability, Innovation and Win-win”.

During the reporting period, Yili is centered on its corporate culture of “Excellence, Accountability, Innovation and Win-win”, under which relevant activities continued to take place in a bid to practice and inherit the “Yili Spirit”. These activities have further consolidated the foundation of Yili’s corporate culture for sustainable development.

Company’s business prospect for 2018

Based on the development of the industry, the Company plans to achieve total revenue of RMB77 billion and profit before tax of RMB7.5 billion for the year 2018.

Subject to the uncertainties caused by future operating environment, the above business objective does not constitute a performance commitment to investors, who are advised to be aware of the investment risks involved.

To meet the business objectives for 2018, the Company will place its emphasis on the following aspects:

1. Stay committed to the principle that “Yili Means Quality”, with constant enhancement of the world-leading whole-chain end-to-end independent quality management system and the efficient risk prevention and control system.
2. Follow the trend of market development, maintain innovative development and actively expand the international business to deliver sustainable and healthy growth of the Company’s business.
3. Continue to uphold the guideline of “Precise Marketing, Lean Operation and Precise Management” to cultivate outstanding operational capabilities.
4. Build a resource sharing platform to cater for the business development in the new era.
5. Act on and inherit Yili culture with greater efforts, to consolidate the foundation of Yili’s corporate culture for sustainable development.

Capital demand for maintaining current operations and completing the investment projects under construction:

In line with its operating strategy and investment plan for 2018, the Company plans to invest RMB12,675,375,500 in the projects of its principal industries and the supportive projects thereof. The Company intends to address its capital demand through self-financing, bank loans and other modes of financing.

(IV) Potential Risk Exposure

Applicable Not applicable

In 2018, Yili faces a new environment for industry development and competition, with quite a few uncertainties in respect of the growth rate of the industry and the development goals of the Company. With that in mind, Yili will stay alert to the changing market environment and adopt corresponding strategies in a timely manner.

Food safety risk is a top concern for food enterprises. In this regard, the Company remains committed to its principle of pursuing product quality. With international standards and concrete action, the Company continuously improves, optimizes and updates its global quality management system to ensure product quality and safety.

(V) Others

Applicable Not applicable

IV. Circumstances and explanation of non-disclosure under the standards owing to special reasons such as the standards inapplicable to the Company or state secrets and trade secrets

Applicable Not applicable

鉴证 品质

伊利人以始终如一的主人翁心态，
铸就了具有高度责任心和超强执行力的伊利精神，
锻造出伊利人特有的核心竞争力和追求卓越的优秀品质。



Section V Important Matters

I. Proposal on Profit Distribution of Ordinary Shares and Conversion from Capital Reserve to Capital Stock

(I) Formulation, Implementation or Adjustment of the Cash Dividend Policy

Applicable Not applicable

On 21 April 2017, the 2016 Profit Distribution Proposal of the Company (《公司2016年度利润分配预案》) was reviewed and passed at the 2016 annual General Meeting Of Stockholders of the Company, which sets out the distribution of cash dividend of RMB6.00 (tax inclusive) for every 10 shares to all shareholders based on the total share capital of 6,079,000,108 shares as of 8 May 2017 (the share record date for the purpose of profit distribution), with total cash dividend of RMB 3,647,400,064.80 distributed. The Announcement on Implementing the 2016 Annual Equity Distribution of Inner Mongolia Yili Industrial Group Co., Ltd. (《内蒙古伊利实业集团股份有限公司2016年年度权益分派实施公告》) was published on China Securities Journal, Shanghai Securities News and the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

The Company implemented its cash dividend policy strictly according to the requirements under its Articles of Association. During the reporting period, the profit distribution of the Company complied with the provisions in the Articles of Association and the requirements of the resolutions of General Meetings Of Stockholders; the review procedure and mechanism for profit distribution were complete with clear standards and ratios for dividend distribution; the independent directors exercised due diligence in discharging their duties and played their due functions; and medium and minority shareholders had opportunities to fully express their opinions and appeals, thus protecting their legitimate interests.

(II) Plans and contingency plans for the distribution of common stock dividend and conversion of capital reserve to capital stock in the past three years (including the reporting period)

Unit: Yuan Currency: RMB

Year of dividend distribution	Number of bonus shares distributed for every 10 shares	Amount of dividends for every 10 shares (RMB) (tax inclusive)	Number of shares capitalized for every 10 shares	The amount of cash dividend (tax inclusive)	Net profit attributable to shareholders of ordinary shares of the listed company in the consolidated statement for the years of dividend distribution	Percentage of net profit attributable to shareholders of ordinary shares of the listed company in the consolidated statement(%)
2017	0	7.00	0	4,254,944,825.60	6,000,884,926.88	70.91
2016	0	6.00	0	3,647,400,064.80	5,661,807,747.14	64.42
2015	0	4.50	0	2,729,160,048.60	4,631,791,823.05	58.92



(III) Offer to repurchase shares by cash to be included in cash dividend

Applicable Not applicable

(IV) Given a profit for the reporting period and positive profit available for allocation to the shareholders of ordinary shares, the Company shall disclose in detail the reasons for as well as the use and plan of use of such undistributed profits if no proposal is raised for cash profit allocation in relation to ordinary shares

Applicable Not applicable

II. Performance of Undertakings

(I) Undertakings by relevant parties such as actual controllers, shareholders, connected parties, acquirers and the Company during the reporting period or those subsisting during the reporting period

Applicable Not applicable

Background of undertakings	Type of undertakings	Parties of undertakings	Content of undertakings	Time and term of undertakings	Any requirement on the performance period	Timely and strict performance	Specific reason(s) for the failure to perform timely	Forthcoming plans in view of no timely performance
Undertakings made in the report of acquisition or the report of equity changes	Others	Sunshine Life Insurance Corporation Limited	The additional share acquisition by the information disclosure obligor is to make financial investment in light of its positive view of Yili's future development prospect. The information disclosure obligor supports the current equity structure of Yili, and does not actively seek to become its largest shareholder. The information disclosure obligor and the parties acting in concert with it will cease to acquire additional shares in Yili for the next 12 months.	Within 12 months	Yes	Yes		
	Others	Sunshine Property and Casualty Insurance Co., Ltd.	The additional share acquisition by the information disclosure obligor is to make financial investment in light of its positive view of the future development prospect of Yili. The information disclosure obligor supports the current equity structure of Yili, and does not actively seek to become its largest shareholder. The information disclosure obligor and the parties acting in concert with it will cease to acquire additional shares in Yili for the next 12 months.	Within 12 months	Yes	Yes		

(II) Where there is a profit forecast for its assets or projects and the reporting period is still in the profit forecast period, the Company shall give explain whether the assets or projects have met its original profit forecast and the reasons thereof

Met Not met Not applicable

III. Appropriation and settlement progress of funds during the reporting period

Applicable Not applicable

IV. Illustration of the Company on the “Auditor’s Report with Non-standard Opinions” prepared by the accounting firm

Applicable Not applicable

V. Analysis and explanation on the reasons and impacts of changes in accounting policies and estimates or correction of material accounting errors of the Company

(I) Analysis and explanation on the reasons and impacts of changes in accounting policies and estimates of the Company

Applicable Not applicable

For details, please refer to the section headed “33. Changes in accounting policies and accounting estimates” under “V. Significant Accounting Policies and Accounting Estimates”, the 11th section of this Report.

(II) Analysis and explanation on the reasons and impacts of correction of material accounting errors of the Company

Applicable Not applicable

(III) Communication with the former accounting firm

Applicable Not applicable

(IV) Other explanations

Applicable Not applicable

VI. Appointment and Removal of Accounting Firms

Unit: 0,000Yuan Currency: RMB

Current appointment	
Name of domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of domestic accounting firm	115
Audit term of domestic accounting firm	22
Name	
Remuneration	
Accounting firm for internal control audit	Da Hua Certified Public Accountants (Special General Partnership) 100

Illustration on the appointment and removal of accounting firms

Applicable Not applicable

Illustration on the replacement of accounting firms during the audit period

Applicable Not applicable

VII. Exposure to Suspension of Listing

(I) Reasons for suspension of listing

Applicable Not applicable

(II) Corresponding measures intended by the Company

Applicable Not applicable

VIII. Circumstances and Reasons for Termination of Listing

Applicable Not applicable

IX. Matters Relating to Bankruptcy and Restructuring

Applicable Not applicable

X. Major Litigation and Arbitration

Occurrence of major litigation and arbitration involving the Company for the year No major litigation and arbitration involving the Company for the year

XI. Punishment and Rectification of the Listing Company and its Directors, Supervisors, Senior Management, Controlling Shareholders, Actual Controllers and Acquirers

Applicable Not applicable

XII. Illustration on the Creditworthiness of the Company and its Controlling Shareholders and Actual Controllers during the Reporting Period

Applicable Not applicable

During the reporting period, the Company had no refusal to implement effective court judgments or failure to meet debt repayment schedules in relatively large amounts.





XIII. Implementation and Impact of Equity Incentive Scheme, Employee Shareholding Scheme or Other Employee Incentive Measures of the Company

(I) Relevant incentive matters disclosed in provisional announcements without progress or change in subsequent implementation

Applicable Not applicable

Overview of the matter	Query index
On 26 December 2016, the Company held its second extraordinary General Meeting of Stockholders for the year 2016, during which resolutions were considered and passed such as the “Proposal on Stock Options and Restricted Stock Incentive Plan (Draft) and Abstracts” (《关于<股票期权与限制性股票激励计划(草案)>及其摘要的议案》) and the “Resolution on the Management Measures for Implementation and Appraisal of Stock Options and Restricted Stock Incentive Scheme (《关于<股票期权与限制性股票激励计划实施考核管理办法>的议案》).	For details, please refer to the “Announcement on the Resolutions of the Second Extraordinary General Meeting of 2016 of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司2016年第二次临时股东大会决议公告》) published on Shanghai Stock Exchange by the Company on 27 December 2016.
On 21 February 2017, the Company completed the registration for its 2016 stock options and restricted stocks.	For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. 2016 Stock Option and Restricted Shares Registration Completion” (《内蒙古伊利实业集团股份有限公司关于2016年股票期权与限制性股票登记完成的公告》) published on Shanghai Stock Exchange by the Company on 23 February 2017.
On 9 May 2017, the Company held the extraordinary session of the Ninth Board of Directors, during which the “Resolution of Inner Mongolia Yili Industrial Group Co., Ltd. on Adjusting the Exercise Price of Stock Options and the Repurchase Price of Restricted Stocks” (《内蒙古伊利实业集团股份有限公司关于对股票期权行权价格及限制性股票回购价格进行调整的议案》) was considered and passed.	For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on Adjusting the Exercise Price of Stock Options and the Repurchase Price of Restricted Stocks” (《内蒙古伊利实业集团股份有限公司关于对股票期权行权价格及限制性股票回购价格进行调整的公告》) published on Shanghai Stock Exchange by the Company on 11 May 2017.
On 18 August 2017, the Company held the extraordinary session of the ninth Board of Directors, during which the “Proposal on Cancellation of Partial Stock Options and Repurchase of Cancelled and Partially Restricted Stocks by the Company” (《公司关于注销部分股票期权和回购注销部分限制性股票的议案》) was considered and passed.	For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on Cancelling Certain Stock Options and Repurchasing and Cancelling Certain Restricted Stocks” (《内蒙古伊利实业集团股份有限公司关于注销部分股票期权和回购注销部分限制性股票的议案》) published on Shanghai Stock Exchange by the Company on 19 August 2017.
On 11 September 2017, the Company held the first extraordinary General Meeting of 2017, during which the “Proposal on Cancellation of Partial Stock Options and Repurchase of Cancelled and Partially Restricted Stocks by the Company” was considered and passed.	For details, please refer to the “Announcement on Resolutions of the 2017 First Extraordinary General Meeting of Stockholders of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司2017年第一次临时股东大会决议公告》) published on Shanghai Stock Exchange by the Company on 12 September 2017.
The Company has completed the repurchase and cancellation of certain restricted stocks.	For details, please refer to the “Announcement on the Completion of Repurchase and Cancellation of Certain Restricted Stocks of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司关于部分限制性股票回购注销完成的公告》) published on Shanghai Stock Exchange by the Company on 16 November 2017.

Overview of the matter	Query index
On 27 December 2016, the Company held the extraordinary meeting of the eighth Board of Directors, at which the “Shareholding Scheme (Phase III) of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司第三期持股计划》) was considered and passed.	For details, please refer to the “Announcement on the Resolutions of the Extraordinary Meeting of the Eighth Board of Directors of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司第八届董事会临时会议决议公告》) published on Shanghai Stock Exchange by the Company on 28 December 2016.
Disclosure of matters concerning the progress of the shareholding scheme.	For details, please refer to the “Announcements on the Implementation Progress of Shareholding Scheme (Phase III) of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司关于第三期持股计划实施进展的公告》) published by Shanghai Stock Exchange on 25 January and 26 January 2017.
Completion of the sale of stocks under the Shareholding Scheme (Phase I) of the Company.	For details, please refer to the “Announcement on Completion of the Sale of Stocks under the Shareholding Scheme (Phase I) of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司关于第一期持股计划股票出售完毕的公告》) published on Shanghai Stock Exchange by the Company on 25 February 2017.
On 18 December 2017, the Company held the extraordinary session of the ninth Board of Directors, during which the “Shareholding Scheme (Phase IV) of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司第四期持股计划》) was considered and passed.	For details, please refer to the “Announcement on the Resolutions of the Extraordinary Session of the Ninth Board of Directors of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司第九届董事会临时会议决议公告》) published on Shanghai Stock Exchange by the Company on 19 December 2017.
On 22 December 2017, the Company held the first shareholders meeting of the shareholding scheme (Phase IV), during which the “Daily Management Measures of Shareholders of the Shareholding Scheme of Inner Mongolia Yili Industrial Group Co., Ltd. (《内蒙古伊利实业集团股份有限公司持股计划持有人日常管理办法》) and the “Resolution in on the Election of Members of the Management Committee of Shareholding Scheme (Phase IV)” (《关于选举第四期持股计划管理委员会委员的议案》) were considered and passed.	For details, please refer to the “Announcement on the Resolutions of the First Shareholding Meeting of Shareholding Scheme (Phase IV) of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司第四期持股计划第一次持有人会议决议公告》) published on Shanghai Stock Exchange by the Company on 23 December 2017.
Completion of the sale of stocks under the Shareholding Scheme (Phase II) of the Company.	For details, please refer to the “Announcement on Completion of the Sale of Stocks under the Shareholding Scheme (Phase II) of Inner Mongolia Yili Industrial Group Co., Ltd.” (《内蒙古伊利实业集团股份有限公司关于第二期持股计划股票出售完毕的公告》) published on Shanghai Stock Exchange by the Company on 11 January 2018.

(II) Incentives not disclosed in provisional announcements or with subsequent development

- Equity incentives
 - Applicable Not applicable
- Other explanations
 - Applicable Not applicable
- Employee stock ownership plan
 - Applicable Not applicable
- Other incentive measures
 - Applicable Not applicable

XIV. Major Connected Transactions

(I) Connected Transactions Related to Daily Operations

1. Matters disclosed in provisional announcements without development or changes in subsequent implementation

Applicable Not applicable

2. Matters disclosed in provisional announcements with processes or changes in subsequent implementation

Applicable Not applicable

3. Matters not disclosed in provisional announcements

Applicable Not applicable

(II) Connected Transactions upon the Acquisition and Sale of Assets or Equity Interests

1. Matters disclosed in provisional announcements without development or changes in subsequent implementation

Applicable Not applicable

2. Matters disclosed in provisional announcements with development or changes in subsequent implementation

Applicable Not applicable

3. Matters not disclosed in provisional announcements

Applicable Not applicable

4. Disclosable realization of results for the reporting period in relation to result agreements

Applicable Not applicable

(III) Major and Connected Transactions of Joint Outbound Investment

1. Matters disclosed in provisional announcements without development or changes in subsequent implementation

Applicable Not applicable

2. Matters disclosed in provisional announcements with development or changes in subsequent implementation

Applicable Not applicable

3. Matters not disclosed in provisional announcements

Applicable Not applicable

(IV) Related Creditor's Right and Debt Transactions

1. Matters disclosed in provisional announcements without development or changes in subsequent implementation

Applicable Not applicable

2. Matters disclosed in provisional announcements with development and changes in subsequent implementation

Applicable Not applicable

3. Matters not disclosed in provisional announcements

Applicable Not applicable

(V) Others

Applicable Not applicable

XV. Material Contracts and Their Performance

(I) Trusts, Contracts and Leases

1. Trusts

Applicable Not applicable

2. Contracts

Applicable Not applicable

3. Leases

Applicable Not applicable

(II) Guarantee

Applicable Not applicable

Unit: 0'000Yuan Currency: RMB

External guarantee of the Company (excluding guarantee for subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Amount of guarantee	Date of guarantee (date of agreement)	Commencement date of guarantee	Maturity date of guarantee	Type of guarantee	Completion of the guarantee performance	Overdue	Overdue amounts of the guarantee	Counter guarantee	Connected party guarantee	Connected relationship
Inner Mongolia Huishang Finance Guarantee Co., Ltd.	Wholly-owned subsidiary	Suppliers and Customers	217,603.50	6 January 2015	8 January 2015	28 October 2019	Guarantee with joint liability	No	No		Yes	No	
Total amount of guarantees incurred during the reporting period (excluding guarantees for subsidiaries)												217,603.50	
Total balance of guarantees at the end of the reporting period (A) (excluding guarantees for subsidiaries)												67,834.15	
Subsidiary guarantees provided by the Company and its subsidiaries													
Total amount of guarantees incurred for subsidiaries during the reporting period													
Total balance of guarantees for subsidiaries at the end of the reporting period (B)													
Total amounts of guarantees provided by the Company (including guarantees for subsidiaries)												67,834.15	
Total amount of guarantees (A+B)												2.69	
Percentage of total guaranteed amount in the Company's net assets (%)													
Among which:													
The amount guaranteed by shareholders, actual controllers and their related parties (C)													
Amount of debt guarantees provided directly or indirectly to the guaranteed parties whose gearing ratio exceeds 70% (D)													
Total amount of guarantees exceeding 50% of net assets (E)													
Aggregate of the above three guarantees (C+D+E)													
Statement on contingent joint liability in connection with unexpired guarantees													
Statement on guarantee												As of 31 December 2017, Inner Mongolia Huishang Finance Guarantee Co., Ltd., a subsidiary of the Company, had accumulated a total external guarantee of RMB2,176,035,000, a balance of guarantee liability of RMB678,341,500 and 739 guaranteed parties under external guarantee for the year. A summary of all external guarantees is set out in the above table headed "External guarantees of the Company (excluding guarantees for subsidiaries)".	

(III) Entrusted Management of Cash Assets

1. Entrusted wealth management

(1) Overview of entrusted wealth management

Applicable Not applicable

Others

Applicable Not applicable

(2) Individual entrusted wealth management

Applicable Not applicable

Others

Applicable Not applicable

(3) Impairment provision for entrusted wealth management

Applicable Not applicable

2. Entrusted loan

(1) Overview of entrusted loan

Applicable Not applicable

Others

Applicable Not applicable

(2) Individual entrusted loan

Applicable Not applicable

Others

Applicable Not applicable

(3) Impairment provision for entrusted loan

Applicable Not applicable

3. Others

Applicable Not applicable



(IV) Other material contracts
 Applicable Not applicable

XVI. Other Significant Events

Applicable Not applicable

XVII. Work on Social Responsibility

(I) Poverty Alleviation by the Listed Company

Applicable Not applicable

1. Targeted poverty alleviation plan

As an industry leader, the Company is active in fulfilling its corporate social responsibility and stays committed to stress both economic and social benefit during its development, all under the concept of “Solid Results over Speed, Industrial Prosperity over Personal Glory, Social Value over Business Fortune”.

Under its plan for targeted poverty alleviation in 2017, the Company acted in the spirit of the “Notice of the State Council on Issuing the “13th Five-Year Plan” for Poverty Alleviation”(《国务院关于印发“十三五”脱贫攻坚规划的通知》) on a comprehensive scale. By tapping into the merits of its core business, Yili explored new approaches and sustainable models of poverty alleviation, in a bid to establish an effective long-term mechanism for poverty alleviation. Specifically, the Company has made continuous investment in poverty alleviation in relation to health, education, society and ecology.

2. Overview of targeted poverty alleviation for the year

(1) Health

During the reporting period, the Company launched “Yili Nutrition 2020”(伊利营养2020), a new public nutrition project for poverty alleviation. The project, focused on the demand for nutritional improvement from children in poverty-stricken areas, takes place in the form of charity donation and health education to bring health and care to the children from such areas. In the reporting period, the Company donated 200,000 cases of Yili Student Milk to children from 10 provinces and autonomous regions, including Yunnan, Gansu, Hubei, Henan, Shanxi, Shaanxi, Sichuan, Qinghai, Ningxia and Heilongjiang. The donation amounted to RMB10 million and benefited over 120,000 students in poverty-stricken areas.

Also in the reporting period, the Company launched “Yili Pro-Kido Motherly Love”(伊利金领冠母爱计划), a public welfare activity in which Yili donated 5,000 boxes of Yili Pro-Kido Infant Formula Milk Powder (equivalent to RMB351,300) to 80 orphans and disabled children.

(2) Education

The Company stays on track of its poverty alleviation through education. Its public welfare project “Yili Ark”(伊利方舟) is designed to improve the safety education for children from the undeveloped areas in Central and Western China. During the reporting period, the Company contributed RMB2.08 million to special trainings for children’s safety, which covers prevention from abduction, getting lost, sexual assault, earthquake, fire, drowning, riot and stampede as well as transportation safety and safety in daily life. In addition, Yili funded the construction of 43 “Schools with Safety Ecology”(安全生态校). Meanwhile, a primary focus of “Yili Ark” is on left-behind children from rural areas. During the reporting period, the Company has accumulatively invested RMB640,000 to support 5,576 left-behind children.

During the reporting period, the Company rolled out “Yili Future Garden”(伊利未来公园), a public welfare project in collaboration with China Children and Teenagers’ Fund(中国儿童少年基金会) to build a platform for promoting popular science, communication and interaction. By hosting online and offline activities on popular science, the platform is designed to meet the demands for popular science education among Chinese children and teenagers. During the reporting period, the Company invested RMB1.8 million in such activities as “2017 Popular Science in 100 Campuses”(2017科普百校行), “Popular Science for Rural Areas”(科普知识下乡) and “Winter Camp for Dreams”(梦想冬令营). These activities brought the knowledge of science and technology to the schools in mountainous and rural areas of Gansu, Guangxi, Yunnan, Henan and Hebei, benefiting 100,000 primary and middle school students.

(3) Society

During the reporting period, the Company participated in “2017 Liangshan Trip of Chinese Charitable Causes”(2017中国光彩事业凉山行). In addition to a donation of RMB1 million to China Charitable Foundation(中国光彩基金会), Yili joined hands with other corporate participants to offer registration service for 3,000 poor households from 49 villages of 20 townships in Zhaojue County and



Meigu County, Liangshan Prefecture, Sichuan. The underprivileged households were also provided with six sets of daily necessities.

Also in the reporting period, the Company donated RMB500,000 to Bohang Village, Huangyuan County, Qinghai Province for poverty alleviation through industrial development and education. In particular, industry-oriented poverty alleviation covers tourism, crop and animal farming to help the local area to shed poverty and achieve independent development. In respect of education-oriented poverty education, Yili donated electronic displays, tables, chairs and other teaching equipment to Bohang Village Central School(波航乡中心学校).

Furthermore, during the reporting period, the Company invested RMB74,400 in targeted poverty alleviation for specific rural households from Zhaohao Village and Zhulaqin Village, Hohhot, Inner Mongolia Autonomous Region. Such households were offered daily necessities such as rice, edible oil and milk. In their villages, “Rural Culture Activity Rooms” and “Rural Audio-visual Classroom” have been built as venues for leisure culture activities.

(4) Ecology

As the only Chinese company that signed the “Commitment on Business and Biodiversity” under the UN Convention on Biological Diversity, Yili is active in benchmarking with the UN Sustainable Development Goals (SDGs), striving to meet the targets of ecological conservation, targeted poverty alleviation and employment facilitation in tandem with sustainable development. During the reporting period, the Company contributed RMB767,000 to sustain the “Northeast Wetland Conservation and Sustainable Agricultural Development Project with the World Wide Fund for Nature (WWF). The project promotes sustainable technology for growing corn, to preserve wetland and boost farmers’ income. During the reporting period, the project developed 500 mu of demonstration fields Tongyu County, Qian’an County and Ningjiang District of Songyuan City, Jilin Province, in addition to 13,105 mu of corn fields where sustainable production technology is applied; the project also provided training for a cumulative number of 723 people.



3. Effectiveness of targeted poverty alleviation

Unit: 0,000 Yuan Currency: RMB

Indicator	Amount and Development
I. Overview	
1. Capital	686.14
2. Supplies converted into cash	1,035.13
II. Investment by category	
1. Poverty alleviation through industrial development	
1.1 Categories of industrial projects for poverty alleviation	
	<input checked="" type="checkbox"/> Agriculture and forestry <input checked="" type="checkbox"/> Tourism <input type="checkbox"/> E-commerce <input type="checkbox"/> Asset returns <input type="checkbox"/> Technology <input type="checkbox"/> Others
1.2 Investment in industrial projects for poverty alleviation	40.00
2. Poverty alleviation through education	
2.1 Funding for impoverished students	398.00
2.2 Number of impoverished students funded (headcount)	55,300
3. Poverty alleviation through healthcare	
3.1 Investment of medical and healthcare resources in poverty-stricken areas	1,000.00
4. Poverty alleviation through ecological protection	
4.1 Project name	
	<input checked="" type="checkbox"/> Ecological protection and development <input type="checkbox"/> Compensation for ecological protection <input type="checkbox"/> Positions for ecological public welfare <input type="checkbox"/> Others
4.2 Investment	76.70
5. Protection for the most disadvantaged people	
5.1 Investment in helping three major groups of left-behind people	64.00
5.2 Number of left-behind people receiving help under the three major groups (headcount)	5,576
5.3 Investment in helping poor disabled people	35.13
5.4 Number of poor disabled people receiving help	80
6. Social poverty alleviation	
1. Investment in targeted poverty alleviation	107.44
III. Awards received (content and rank)	
1. In May 2017, the Company was an "Appreciable Responsible Brand" (可感知的责任品牌) and a "Top Ten Enterprise of the Year" (年度十佳企业), both conferred by China Social Responsibility 100 Forum (中国社会责任百人论坛).	
2. In November 2017, the Company was awarded the "Excellent Cases of Enterprise Poverty Alleviation" (企业扶贫优秀案例) by the Corporate Social Responsibility Research Center of the Institute of Economics, Chinese Academy of Social Sciences.	
3. In December 2017, the Company won the "Special Contribution Award for Social Responsibility in China" (中国社会责任特别贡献奖) at the China CSR Public Welfare Ceremony (中国社会责任公益盛典) sponsored by xinhuanet.com.	
4. In December 2017, the Company won the "2017 Annual Grand Award for the Best Corporate Citizenship in China" (2017年中国最佳企业公民年度综合大奖) at the 14 th Chinese Corporate Citizenship Forum sponsored by 21 st Century Business Herald.	

4. Subsequent plan for targeted poverty alleviation

The Company will continue to focus on and respond to relevant national policies, bring its industrial advantages into full play, and strengthen its communication and cooperation with other enterprises and social organizations. In addition, Yili will expand the

content and forms of its targeted poverty alleviation, and make continuous investment in poverty alleviation through healthcare, ecology and education. The Company will also help the targets of poverty alleviation to shed poverty steadily, pay attention to the quality of poverty alleviation and attach equal importance to both development-oriented and security-oriented poverty alleviation, with attention to the management of poverty alleviation as well. With all these efforts, Yili aims to contribute to the campaign against poverty.

(II) Work on social responsibility

 Applicable Not applicable

For details of the Company's 2017 Annual Social Responsibility Report, please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

(III) Environmental information

1. Illustration of the environmental protection by key pollution discharging companies listed by environmental protection authorities and their major subsidiaries

 Applicable Not applicable

(1) Information on pollution discharging

The Company attaches great importance to environment protection, strictly implement relevant laws and regulations such as the "Environmental Protection Law of the People's Republic of China" (《中华人民共和国环境保护法》), the "Law on Prevention and Control of Water Pollution of the People's Republic of China" (《中华人民共和国水污染防治法》), the "Law on Prevention and Control of Atmospheric Pollution of the People's Republic of China" (《中华人民共和国大气污染防治法》) and the "Law on Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China" (《中华人民共和国固体废物污染环境防治法》). During the reporting period, all the subsidiaries of the Company discharged pollutants pursuant to the pollutant emission standards and total emission limits stipulated by the Company, with no environmental protection accidents or penalties imposed by environmental authorities.



Below sets out the environmental information of key pollutant discharging subsidiaries of the Company at national and provincial levels:

Name of subsidiary	Level of control (national or provincial)	Major pollutant	Way of emission	Emission intensity	Benchmark value	Excessive emission	2017 emission (unit: ton)	Approved total emission (unit: ton)	Number and distribution of emission outlets
				(Unit: water mg/L, fume mg/m ³)					
Inner Mongolia Yili Industrial Group Co., Ltd. Dynamic Environment Protection Branch (内蒙古伊利实业集团股份有限公司动力环保分公司)	National control	COD	Intermittent emission	36.18	≤150	Nil	43.16	438	There is one sewage discharging outlet located within the factory area.
		NH ₃ -N	Intermittent emission	3.44	≤25	Nil	3.9	73	
Hefei Yili Dairy Co., Ltd. (合肥伊利乳业有限责任公司)	National control	COD	Continuous emission	33.95	≤420	Nil	30	343,014	There is one sewage discharging outlet located within the factory area.
		NH ₃ -N	Continuous emission	0.41	≤28	Nil	0.29	22.87	
Chengdu Yili Dairy Co., Ltd. (成都伊利乳业有限责任公司)	National control	COD	Continuous emission	38	≤500	Nil	54.7	57.6	There is one sewage discharging outlet located within the factory area.
		NH ₃ -N	Continuous emission	9.5	Nil	Nil	4.5	7.68	
Hubei Huanggang Yili Dairy Co., Ltd. (湖北黄冈伊利乳业有限责任公司)	National control	COD	Continuous emission	57	≤500	Nil	79.2	88	There is one sewage discharging outlet located within the factory area.
		NH ₃ -N	Continuous emission	5.7	≤45	Nil	8.9	9	
Ningxia Yili Dairy Co., Ltd. (宁夏伊利乳业有限责任公司)	National control	COD	Continuous emission	72	≤500	Nil	80.2	92.82	There is one sewage discharging outlet located within the factory area.
		NH ₃ -N	Continuous emission	18	Nil	Nil	7.7	14.63	
Yunnan Yili Dairy Co., Ltd. (云南伊利乳业有限责任公司)	Provincial control	COD	Intermittent emission	27	≤500	Nil	7.78	329,325	There is one sewage discharging outlet located within the factory area.
		Ammonia nitrogen	Intermittent emission	3,441	≤45	Nil	0.991	29,6392	
Baotou Yili Dairy Co., Ltd. (包头伊利乳业有限责任公司)	Provincial control	COD	Continuous emission	50	≤100	Nil	16.5	75	There is one sewage discharging outlet and one exhaust emission outlet located within the factory area.
		Ammonia nitrogen	Continuous emission	3.1	≤15	Nil	2.9	13	
		Sulphur dioxide	Continuous emission	36	≤100	Nil	-	Gas-fired boilers, unapproved total emission	
		Nitrogen oxides	Continuous emission	192	≤400	Nil	-		
		Particulate matters	Continuous emission	0.77	≤30	Nil	-		

(2) Environmental impact assessment of construction projects as well as the construction and operation of pollution prevention facilities

All construction projects of the Company have undergone environmental impact assessments and other administrative approval procedures on environmental protection, pursuant to the national laws and regulations on environmental protection. Environmental protection facilities are designed, constructed and put into operation concurrently with main works as required, with stable operation.

(3) Contingency plans for environmental emergencies

The Company has filed its contingency plans for environmental incidents with the local environmental protection bureau and such filing remains valid as of the date of report disclosure. The Company stresses on the daily management of pollution prevention and emergency-handling facilities to ensure that incidents can be addressed quickly, orderly and efficiently.

(4) Environmental self-monitoring plan

According to the requirements of laws and regulations such as the “Measures for Self-monitoring and Information Disclosure by Enterprises under Key Supervision of the State (Trial) (《国家重点监控企业自行监测及信息公开办法(试行)》)”, the Company devised a detailed monitoring plan against various types of pollutants, with effective monitoring. Meanwhile, to ensure the accuracy of its monitoring results, the Company regularly compares its results with those from third-party professional monitoring institutions to ensure standard emissions of each pollutant.

(5) Other discloseable environmental information

Committed to the concept of green industry chain, the Company constantly cut the generation of pollutants by way of source control to achieve harmonious development among its economic, social and environmental efficiency.

2. Companies other than key pollutant discharging subsidiaries

Applicable Not applicable

The subsidiaries other than those identified as key pollutant discharging units have all strictly implemented the laws and regulations on environmental protection, maintained and operated their environmental protection facilities according to the Company’s unified requirements on environmental protection management, and managed to deliver standard pollutant emissions.

3. Other explanations

Applicable Not applicable

(IV) Other Explanations

Applicable Not applicable

XVIII. Convertible Bonds of the Company

(I) Issuance of Convertible Bonds

Applicable Not applicable

(II) Holders and Guarantors of Convertible Bonds during the Reporting Period

Applicable Not applicable

(III) Changes in Convertible Bonds during the Reporting Period

Applicable Not applicable

Cumulative conversion of convertible bonds during the reporting period

Applicable Not applicable

(IV) Historical Adjustments to Stock Conversion Prices

Applicable Not applicable

(V) Liabilities, Credibility Changes and Cash Arrangement for Repayment in Forthcoming Years of the Company

Applicable Not applicable

(VI) Other explanations on Convertible Bonds

Applicable Not applicable



Section VI Changes in Ordinary Share and Particulars of Shareholders

I. Changes in Ordinary Share Capital

(I) A Table of Changes in Ordinary Share Capital

1. A Table of changes in ordinary share capital

Unit: Share

	Before the change		Increase (+)/Decrease (-) of the change				After the change		
	Number	Percentage (%)	Issuing new share	Bonus Share	Reserve-converted shares	Others	Sub-total	Number	Percentage (%)
I. Shares subject to restricted sales	31,430,946	0.5183	14,200,000			-507,500	13,692,500	45,123,446	0.7423
1. Shares held by the state									
2. Shares held by domestic legal persons									
3. Other domestic shares:	31,430,946	0.5183	14,125,000			-457,500	13,667,500	45,098,446	0.7419
Domestic shares held by legal persons other than the state	31,430,946	0.5183						31,430,946	0.5171
Shares held by domestic natural persons			14,125,000			-457,500	13,667,500	13,667,500	0.2249
4. Shares held by foreign capital:			75,000			-50,000	25,000	25,000	0.0004
Shares held by overseas legal persons									
Shares held by overseas natural persons			75,000			-50,000	25,000	25,000	0.0004
II. Shares subject to no sales restriction	6,033,369,162	99.4817						6,033,369,162	99.2577
1. RMB ordinary shares	6,033,369,162	99.4817						6,033,369,162	99.2577
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares									
4. Others									
III. Total number of ordinary shares	6,064,800,108	100	14,200,000			-507,500	13,692,500	6,078,492,608	100

2. Illustration of changes in ordinary shares

 Applicable Not applicable

(1) On 23 February 2017, the Company issued the "Public Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. 2016 Stock Option and Restricted Shares Registration Completion.", stating that 14,200,000 restricted shares were registered and that the share capital of the Company comprised of 6,064,800,108 shares before the change and 6,079,000,108 shares after that.

(2) On 11 September 2017, the Company held the First Extraordinary General Meeting of 2017, during which the "Proposal to partially cancel stock option and partially buy back and cancel restricted share" was considered and passed. On 16 November 2017, the Company published the "Public Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. Completed Buy Back and Cancel Part of Restricted Shares .", stating that 507,500 restricted shares were repurchased and cancelled and that the share capital of the Company comprised of 6,079,000,108 shares before the change and 6,078,492,608 shares after that.

For details of the relevant announcements, please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

3. Impact of changes in ordinary shares on financial indicators, such as earnings per share and net assets per share, for the latest year and the latest period (if any)

 Applicable Not applicable

During the reporting period, there were no material impacts of changes in ordinary shares on financial indicators, such as earnings per share and net assets per share, for the latest year and the latest period.

4. Other content deemed necessary for disclosure by the Company or required so by securities regulators

 Applicable Not applicable

(II) Changes in Restricted Shares

 Applicable Not applicable

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released for the year	Increase in the number of restricted shares for the year	Number of restricted shares at the end of the year	Reasons for trading restrictions	Date of release from trading restriction
Incentive recipient of restricted shares	0	0	14,200,000	13,692,500	Equity incentives	
Total	0	0	14,200,000	13,692,500	/	/

Notes:

1. Changes in shares

On 23 February 2017, the Company published the "Public Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. 2016 Stock Option and Restricted Shares Registration Completion", stating that 14,200,000 restricted shares were registered. On 16 November 2017, the Company published the "Public Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. Completed Buy Back and Cancel Part of Restricted Shares.", stating that 507,500 restricted shares were repurchased and cancelled and that the Company had 13,692,500 restricted shares after the change.

2. Date of release from trading restrictions

On 22 October 2016, the Company published the "Inner Mongolia Yili Industrial company Co., Ltd. stock options and restricted stock incentive plan (draft)" on Shanghai Stock Exchange, stating that restricted shares can be unlocked by phase and upon fulfillment of the agreed terms after 24 months from the date of grant of restricted shares and that the unlocking day must be a trading day. The unlocking schedules are arranged are specified as follows:

Unlocking period	Time of unlocking	Proportion of unlockable shares
First unlocking period	Starting on the first trading day after 24 months from the date of grant, and ending on the last trading day within 36 months from the date of grant	50%
Second unlocking period	Starting on the first trading day after 36 months from the date of grant, and ending on the last trading day within 48 months from the date of grant	50%

For details of the relevant announcements, please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).



II. Issuance and Listing of Securities

(I) Issuance of Securities during the Reporting Period

✓ Applicable □ Not applicable

Unit: share Currency: RMB

Type of shares and derivative securities thereof	Date of issuance	Issue price (or interest rate)	Size of issuance	Date of listing	Trading volume of shares approved for listing	Date of transaction termination
Ordinary shares						
A shares (restricted shares)	28 December 2016	15.33	14,200,000	21 February 2017	14,200,000	

Explanation on the issuance of securities during the reporting period (please specify the respective bonds with different interest rates in the duration):

✓ Applicable □ Not applicable

On 26 December 2016, the Company held the second extraordinary General Meeting of 2016 to consider and approve the “Proposal on <Stock Options and Restricted Stock Incentive Plan (Draft)> and Abstracts”. On 23 February 2017, the Company issued the “Public Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. 2016 Stock Option and Restricted Shares Registration Completion”, stating that 14,200,000 restricted shares were registered and that the share capital of the Company comprised of 6,064,800,108 shares before the change and 6,079,000,108 shares after that. For details of the relevant announcements, please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

(II) Changes in the Total Number of Ordinary Shares, Shareholding Structure and the Structure of Assets and Liabilities of the Company

✓ Applicable □ Not applicable

For details of changes in the total number of shares and shareholding structure of the Company, please refer to the “Table of Changes in Ordinary Shares” and the “Explanation on the Changes in Ordinary Shares” in the Subsection (I) of this section. The equity incentive scheme of the Company will have no significant impact on its shareholding structure and the structure of assets and liabilities.

(III) Existing internal employee shares

□ Applicable ✓ Not applicable



III. Shareholders and Actual Controllers

(I) Total Number of Shareholders

Total number of ordinary shareholders as at the end of the reporting period	204,043
Total number of ordinary shareholders as at the end of last month prior to the date of issuance of the annual report	254,646

(II) A Table of Shareholding of Top Ten Shareholders and Top Ten Holders of Tradable Shares (or Shareholders without Trading Restrictions) as at the end of the reporting period

Unit: Share

Full name of shareholder	Shareholding of Top Ten shareholders		Percentage (%)	Number of restricted shares	Shares pledged or frozen		Nature of shareholder
	Increase/Decrease during the reporting period	Number of shares held at the end of the period			Share status	Quantity	
Hong Kong Securities Clearing Company Limited	215,369,683	563,706,997	9.27		Unknown		Others
Hohhot Investment Co., Ltd. (呼和浩特投资有限责任公司)	-56,292,363	544,169,000	8.95		Pledged	88,200,000	Others
China Securities Finance Corporation Limited (中国证券金融股份有限公司)	128,331,941	297,780,084	4.90		Unknown		Others
Pan Gang (潘刚)	0	236,086,628	3.88		Pledged	212,400,000	Domestic legal person
Sunshine Life Insurance Company Limited – Participating Insurance Product (阳光人寿保险股份有限公司 – 分红保险产品)	0	109,108,607	1.79		Unknown		Others
Zhao Chengxia (赵成霞)	0	84,090,140	1.38		Pledged	75,600,000	Domestic legal person
Liu Chunhai (刘春海)	0	83,308,288	1.37		Pledged	74,600,000	Domestic legal person
Hu Liping (胡利平)	0	79,340,536	1.31		Pledged	71,100,000	Domestic legal person
Sunshine Life Insurance Company Limited – Jili Endowment Insurance Product (阳光人寿保险股份有限公司 – 吉利两全保险产品)	0	71,159,452	1.17		Unknown		Others
Portfolio 104 of National Social Insurance Fund (全国社保基金一零四组合)	-32,200,000	65,399,998	1.08		Unknown		Others

Shareholding of Top Ten Shareholders without Trading Restrictions

Name of shareholder	Number of non-restricted shares	Class and number of shares	
		Class	Number
Hong Kong Securities Clearing Company Limited	563,706,997	RMB ordinary shares	563,706,997
Hohhot Investment Co., Ltd. (呼和浩特投资有限责任公司)	544,169,000	RMB ordinary shares	544,169,000
China Securities Finance Corporation Limited (中国证券金融股份有限公司)	297,780,084	RMB ordinary shares	297,780,084
Pan Gang (潘刚)	236,086,628	RMB ordinary shares	236,086,628
Sunshine Life Insurance Company Limited – Participating Insurance Product (阳光人寿保险股份有限公司 – 分红保险产品)	109,108,607	RMB ordinary shares	109,108,607
Zhao Chengxia (赵成霞)	84,090,140	RMB ordinary shares	84,090,140
Liu Chunhai (刘春海)	83,308,288	RMB ordinary shares	83,308,288
Hu Liping (胡利平)	79,340,536	RMB ordinary shares	79,340,536
Sunshine Life Insurance Company Limited – Jili Endowment Insurance Product (阳光人寿保险股份有限公司 – 吉利两全保险产品)	71,159,452	RMB ordinary shares	71,159,452
Portfolio 104 of National Social Insurance Fund (全国社保基金一零四组合)	65,399,998	RMB ordinary shares	65,399,998

Number of shares held by top ten shareholders with trading restrictions and the trading restrictions

 Applicable Not applicable

Unit: Share

No.	Name of shareholders with trading restrictions	Number of restricted shares held	Particulars of restricted shares that can be listed and traded		Trading restrictions
			Permissible Time for listing and trading	Increase in the number of shares that can be listed and traded	
1	Shanghai Yunyingtai Investment and Consulting Co., Ltd. (上海运赢泰投资咨询有限公司)	19,008,000			Statutory sales restrictions as stipulated in the "Measures for the Reform and Management of Equity Division of Listed Companies" (《上市公司股权分置改革管理办法》)
2	Hohhot Powdered Sugar Factory - Yili Company Shareholder Meeting (呼和浩特市糖粉厂伊利公司持股会)	12,403,788			Statutory sales restrictions as stipulated in the "Measures for the Reform and Management of Equity Division of Listed Companies" (《上市公司股权分置改革管理办法》)
3	Li Yong (李勇)	200,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial company Co., Ltd. stock options and restricted stock incentive plan (draft) (《内蒙古伊利实业集团股份有限公司股票期权与限制性股票激励计划(草案)》) published on Shanghai Stock Exchange by the Company on 22 October 2016.
4	Zhang Yu Jun (张玉军)	175,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial company Co., Ltd. stock options and restricted stock incentive plan (draft) (《内蒙古伊利实业集团股份有限公司股票期权与限制性股票激励计划(草案)》) published on Shanghai Stock Exchange by the Company on 22 October 2016.
5	Xu Ya Ming (徐亚明)	175,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial company Co., Ltd. stock options and restricted stock incentive plan (draft) (《内蒙古伊利实业集团股份有限公司股票期权与限制性股票激励计划(草案)》) published on Shanghai Stock Exchange by the Company on 22 October 2016.
6	Lu Sheng Gang (卢盛刚)	175,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial company Co., Ltd. stock options and restricted stock incentive plan (draft) (《内蒙古伊利实业集团股份有限公司股票期权与限制性股票激励计划(草案)》) published on Shanghai Stock Exchange by the Company on 22 October 2016.
7	Anna (安娜)	150,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial company Co., Ltd. stock options and restricted stock incentive plan (draft) (《内蒙古伊利实业集团股份有限公司股票期权与限制性股票激励计划(草案)》) published on Shanghai Stock Exchange by the Company on 22 October 2016.
8	Yan Zhi Jun (闫志军)	150,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial company Co., Ltd. stock options and restricted stock incentive plan (draft) (《内蒙古伊利实业集团股份有限公司股票期权与限制性股票激励计划(草案)》) published on Shanghai Stock Exchange by the Company on 22 October 2016.
9	Li Hai (李海)	125,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial company Co., Ltd. stock options and restricted stock incentive plan (draft) (《内蒙古伊利实业集团股份有限公司股票期权与限制性股票激励计划(草案)》) published on Shanghai Stock Exchange by the Company on 22 October 2016.
10	Ba Gen Na (巴根纳)	125,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial company Co., Ltd. stock options and restricted stock incentive plan (draft) (《内蒙古伊利实业集团股份有限公司股票期权与限制性股票激励计划(草案)》) published on Shanghai Stock Exchange by the Company on 22 October 2016.

(III) Strategic Investors or Ordinary Legal Persons who Became Top Ten Shareholders due to Placing of New Shares

 Applicable Not applicable

IV. Controlling Shareholder and Actual Controllers

(I) Controlling Shareholders

1. Legal person
 Applicable Not applicable
2. Natural person
 Applicable Not applicable
3. No special explanation on controlling shareholder
 Applicable Not applicable
The Company has no controlling shareholder.
4. Index and date of changes in controlling shareholders during the reporting period
 Applicable Not applicable
5. Diagram of Ownership and Control Relationship between the Company and its Controlling Shareholders
 Applicable Not applicable

(II) Actual Controllers

1. Legal person
 Applicable Not applicable
2. Natural person
 Applicable Not applicable
3. No special explanation on actual controllers
 Applicable Not applicable
The Company has no actual controller.
4. Index and date of changes in actual controllers during the reporting period
 Applicable Not applicable
5. Diagram of Ownership and Control Relationship between the Company and its Actual Controllers
 Applicable Not applicable
6. Control over the Company by actual controllers by way of trust or other means of asset management
 Applicable Not applicable

(III) Other Explanation on Controlling Shareholders and Actual Controllers

 Applicable Not applicable

V. Other Institutional Shareholders with Shareholding of Over 10%

 Applicable Not applicable

VI. Explanation on reduced shareholding

 Applicable Not applicable


Section VII Information of Preferred Shares

Applicable Not applicable



Section VIII Particulars of Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration

(I) Changes in shareholdings of directors, supervisors and senior management in office or resigned during the reporting period and their remuneration

Applicable Not applicable

Unit: Share

Name	Position (Note)	Gender	Age	Date of commencement of term of office	Date of termination of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shareholdings during the year	Reason for changes in shareholdings	Total remuneration before tax received from the Company during the reporting period ('0000)	Remuneration received from the related parties of the Company
Pan Gang (潘刚)	Chairman and President	M	47	21 April 2017	20 April 2020	236,086,628	236,086,628			1,486,507	No
Liu Chunhai (刘春海)	Director and Vice President	M	54	21 April 2017	20 April 2020	83,308,288	83,308,288			636,595	No
Zhao Chengxiao (赵成霞)	Director, Vice President and Financial Controller	F	47	11 September 2017	20 April 2020	84,090,140	84,090,140			588,151	No
Hu Liping (胡利平)	Director, Vice President and Secretary to the Board	M	47	21 April 2017	20 April 2020	79,340,536	79,340,536			358,482	No
Wang Ruisheng (王瑞生)	Director and Assistant to President	M	52	27 June 2014	21 April 2017	720,000	0	-720,000	Reduction of shares in secondary market	88,731	No
Yan Junrong (闫俊荣)	Director	F	45	21 April 2017	20 April 2020	11,400	111,400	100,000	Equity incentive	186,604	No
Zhang Junping (张俊平)	Director	M	55	21 April 2017	20 April 2020	0	0				Yes
Yang Jinguo (杨金国)	Director	M	54	27 June 2014	21 April 2017	0	0			6,167	No
Gao Dehui (高德步)	Independent director	M	62	21 April 2017	20 April 2020	0	0			25	No
Gao Hong (高宏)	Independent director	M	51	21 April 2017	20 April 2020	0	0			25	No
Zhang Xinling (张心灵)	Independent director	F	52	21 April 2017	20 April 2020	0	0			25	No
Lyu Gang (吕刚)	Independent director	M	48	21 April 2017	20 April 2020	0	0			25	No
Xiao Bin (肖斌)	Director	F	51	21 April 2017	20 April 2020	0	0			13,889	No
Wang Xiaogang (王晓刚)	Chairman of the Board of Supervisors	M	44	7 September 2017	20 April 2020	720,000	720,000			165,187	No
Gao Ying (郭英)	Chairman of the Board of Supervisors	F	42	21 April 2017	31 August 2017	0	0			64,630	No
Li Jianqiang (李建强)	Supervisor	M	48	21 April 2017	20 April 2020	0	0			103.9	No
Zhan Yiyen (詹亦文)	Supervisor	F	50	21 April 2017	20 April 2020	0	0			15	No
Peng Heping (彭和平)	Supervisor	M	67	21 April 2017	20 April 2020	0	0			15	No
Wang Caiyun (王彩云)	Supervisor	F	38	21 April 2017	20 April 2020	0	0			38.9	No
Total	/	/	/	/	/	484,276,992	483,656,992	-620,000	/	3,867,702	/



Name	Major working experience
Pan Gang (潘刚)	Chairman and President of the Company.
Lin Chunhai (刘春海)	Director and Vice President of the Company.
Zhao Chengxia (赵成霞)	Previously served as the director and Vice President of the Company and now the director, Vice President and Financial Controller of the Company.
Hu Liping (胡利平)	Director, Vice President and Secretary to the Board of the Company.
Wang Ruisheng (王瑞生)	Previously served as the director, General Manager of the Financial Management Department, Assistant President, Financial Controller and General Manager of the Strategic Development Department of the Company and now the Assistant to President of the Company.
Yan Junrong (闫俊荣)	Previously served as the Deputy Quality Controller of Ice Cream Department (冷饮事业部), Director of the President Office and Deputy Head of the President Office and now the director, Head of the President Office and Head of the Management Promotion Office (管理推进办公室).
Zhang Junping (张俊平)	Previously served as a member of the Party Working Committee and Deputy Director of the Administrative Committee of the Hohhot Economic and Technological Development Zone and now the director of the Company, Secretary of the Party Committee and Chairman of Inner Mongolia Financial Investment Group Co., Ltd. (内蒙古金融投资集团有限公司) and Chairman and General Manager of Hohhot Investment Co., Ltd. (呼和浩特投资有限责任公司).
Yang Jinguo (杨金国)	Previously served as the independent director and director of the Company and partner of Beijing Horizon Lawyers (北京市地平线律师事务所).
Gao Debu (高德步)	Previously served as the director of the Company and Professor of School of Economics at Renmin University of China and now the independent director of the Company and Professor of School of Economics at Renmin University of China.
Gao Hong (高宏)	Previously served as the supervisor of the Company, Manager of the Operation Management Department of Beijing Tianheng Real Estate Co., Ltd. (北京天恒房地产股份有限公司) and Chief Operating Officer of Beijing Tianhengzhengyu Investment Development Co., Ltd. (北京天恒正宇投资发展有限公司) and now the independent director of the Company and Chief Operating Officer of Beijing Tianhengzhengyu Investment Development Co., Ltd. (北京天恒正宇投资发展有限公司).
Zhang Xinling (张心灵)	Independent director of the Company, Professor and Doctoral Tutor of College of Economics and Management of Inner Mongolia Agricultural University.
Lyu Gang (吕刚)	Previously served as the President of Dalian Haite Ecological Agriculture Co., Ltd. (大连海特生态农业有限公司) and now the independent director of the Company and General Manager of Dalian Ruichang Financial Leasing Co., Ltd. (大连瑞昌融资租赁有限公司).
Xiao Bin (肖斌)	Director of the Company and Executive Officer of CEIBS Beijing Campus (中欧国际工商学院北京校区).
Wang Xiaogang (王晓刚)	Previously served as the Chairman of the Board of Supervisors, director and General Manager of the Information Engineering Department (信息工程部) of the Company and now the Chairman of the Board of Supervisors, Chairman of the Trade Union Committee (工会委员会) and General Manager of the Information Technology Center of the Company.
Guo Ying (郭英)	Previously served as the Deputy Director of the Liquid Milk Department (液态奶事业部), then Director of the Liquid Milk Department (液态奶事业部), Director of the Comprehensive Management Department (综合管理部) and Chairman of the Board of Supervisors of the Company and now the Vice Chairman of the Trade Union Committee (工会委员会) and Deputy General Manager of the Comprehensive Management Department of the Company.
Li Jianqiang (李建强)	Previously served as the supervisor, Deputy General Manager of the Ice Cream Department (冷饮事业部), Deputy General Manager of the Quality Control Department (质量管理部), Director of the Supply Division of the Liquid Milk Department (液态奶事业部) and Deputy General Manager of Raw Milk Department (原奶事业部) of the Company and now the supervisor and Deputy General Manager of the Liquid Milk Department (液态奶事业部) of the Company.
Zhan Yiwen (詹亦文)	Supervisor of the Company and lawyer and partner of Beijing Guoyuan Law Firm (北京国源律师事务所).
Peng Heping (彭和平)	Previously served as the Assistant to President, Secretary General of the Alumni Association, Secretary General of the Education Fund Committee and researcher of Renmin University of China and now the supervisor of the Company.
Wang Caiyun (王彩云)	Previously served as the R&D Manager of the Innovation Center of the Company and now the supervisor of the Company and the R&D Manager of advance process technology of the Dairy Technology Institute (乳业技术研究院).

Explanation of other information

 Applicable Not applicable

(II) Equity Incentives Granted to Directors and Senior Management During the Reporting Period

 Applicable Not applicable

Unit: Share

Name	Position	Number of share options held at the beginning of the year	Number of share options granted during the reporting period	Shares exercisable during the reporting period	Shares with option exercised during the reporting period	Exercise price of share options (RMB)	Number of share options held at the end of the period	Market price at the end of the reporting period (RMB)
Yan Junrong (闫俊荣)	Director	0	300,000	0	0	16.47	300,000	32.19
Total	/	0	300,000	0	0	/	300,000	/

Unit: Share

Name	Position	Number of restricted shares held at the beginning of the year	Number of restricted shares further granted during the reporting period	Offer price of restricted shares (RMB)	Shares unlocked	Shares locked	Number of restricted shares held at the end of the reporting period	Market price at the end of the reporting period (RMB)
Yan Junrong (闫俊荣)	Director	0	100,000	15.33	0	100,000	100,000	32.19
Total	/	0	100,000	/	0	100,000	100,000	/

II. Positions of Directors, Supervisors and Senior Management in Office or Resigned During the Reporting Period

(I) Positions in shareholder's entity

 Applicable Not applicable

Name of person in office	Name of shareholder's entity	Position in shareholder's entity	Date of commencement of term of office	Date of termination of term of office
Zhang Junping (张俊平)	Hohhot Investment Co., Ltd (呼和浩特投资有限责任公司)	Chairman and General Manager		

(II) Positions in other entities

 Applicable Not applicable

Name of persons in office	Name of other entities	Position in other entities	Date of commencement of term of office	Date of termination of term of office
Yang Jinguo (杨金国)	Beijing Horizon Lawyers (北京市地平线律师事务所)	Partner		
Gao Debu (高德步)	School of Economics at Renmin University of China	Professor		
Gao Hong (高宏)	Beijing Tianhengzhengyu Investment Development Co., Ltd. (北京天恒正宇投资发展有限公司)	Chief Operating Officer		
Zhang Xinling (张心灵)	Inner Mongolia Agriculture University	Professor and Doctoral Tutor		
Lyu Gang (吕刚)	Dalian Ruichang Financial Leasing Co., Ltd. (大连瑞昌融资租赁有限公司)	General Manager		
Zhan Yiwen (詹亦文)	Beijing Guoyuan Law Firm (北京国源律师事务所)	Partner		
Xiao Bin (肖斌)	CEIBS Beijing Campus (中欧国际工商学院北京校区)	Executive Officer		

III. Remuneration of Directors, Supervisors and Senior Management

 Applicable Not applicable

The decision-making procedures for the remuneration of directors, supervisors and senior management

The remuneration of the directors and supervisors shall be determined after consideration and approval at the General Meeting of Stockholders of the Company. The remuneration standard for the senior management of the Company shall be determined after consideration and approval by the Board of the Company.

Basis for the determination of remuneration of directors, supervisors and senior management

Based on the principle of "benefit, incentive and fairness", the remuneration of directors and supervisors is determined in accordance with the "Resolution on the Allowance of Directors of the Board of the Company" (《关于公司董事会董事津贴的议案》) and the "Resolution on the Allowance of Supervisors of the Board of Supervisors of the Company" (《关于公司监事会监事津贴的议案》) approved at the 2016 Annual General Meeting of Stockholders. The remuneration of the senior management is implemented in accordance with the relevant provisions of the Company.

Actual remuneration paid to directors, supervisors and senior management

See the table under "Changes in shareholdings of directors, supervisors and senior management in office or resigned during the reporting period and their remuneration" in the first part of this section.

Total actual remuneration received by all directors, supervisors and senior management as at the end of the reporting period

Total remuneration received by all directors, supervisors and senior management was RMB38,677,702 as at the end of the reporting period.

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我需要成为搭档坚实的支持
我需要
旋转出更优美的姿态
为观众们带来更赏心悦目的表演

金博洋 南文静 程爽

IV. Changes of Directors, Supervisors and Senior Management of the Company

Applicable Not applicable

Name	Position held	Changes	Reason for changes
Zhao Chengxia (赵成霞)	Director	Resigned	Expiration of tenure
Wang Ruisheng (王瑞生)	Director	Resigned	Expiration of tenure
Yang Jinguo (杨金国)	Director	Resigned	Expiration of tenure
Wang Xiaogang (王晓刚)	Director	Elected	General election
Yan Junrong (闫俊荣)	Director	Elected	General election
Xiao Bin (肖斌)	Director	Elected	General election
Wang Xiaogang (王晓刚)	Supervisor	Resigned	Expiration of tenure
Guo Ying (郭英)	Supervisor	Elected	General election
Wang Xiaogang (王晓刚)	Director	Resigned	Job transfer
Guo Ying (郭英)	Supervisor	Resigned	Job transfer
Wang Xiaogang (王晓刚)	Supervisor	Elected	By-election of staff supervisor
Zhao Chengxia (赵成霞)	Director	Elected	By-election of director

V. Explanation on Penalties by Securities Regulators in the Past Three Years

Applicable Not applicable

VI. Employees of the Parent Company and Major Subsidiaries

(I) Employees

Number of existing employees of the parent company	24,202
Number of existing employees of major subsidiaries	29,329
Total number of existing employees	53,531
Number of resigned and retired employees whose expenses undertaken by the parent company and major subsidiaries	0

Specialization composition

Category of specialization	Headcount of specialization
Production	18,169
Sales	15,438
Technology	10,880
Finance	1,618
Administration	7,426
Total	53,531

Education level

Category of education level	Headcount
Postdoctoral researcher	31
Postgraduate	748
Undergraduate	16,145
College graduate and vocational secondary school	29,829
Below vocational secondary school	6,778
Total	53,531

(II) Remuneration policy

Applicable Not applicable

In order to meet the needs of the Company's strategic development and to provide fair, incentive and competitive compensation, the Company has determined a "4P" salary concept based on such four aspects as Position, Performance, Personality and Price, developing a salary system covering broad banding, payment by results and piecework for different types of positions to continuously optimize effective connection between the salary system, on the one hand, and organizational performance and individual performance, on the other hand, so as to stimulate inner driving force of employees. With reference to market remuneration level in the industry, the Company insists on increasing the level of remuneration and benefits for employees annually, achieving a simultaneous growth in both corporate profitability and employee income. The Company continues to optimize the management system of career ladder for management and specialization, whereby employees have the freedom of choosing their career development path based on their expertise, personality, experience and interests, and improve themselves through training and personal efforts. The Company fully respects employees' career development aspiration and assists employees in growing up and development through work shifts, short-term experience and training, so as to simultaneously promote personal career development and improve remuneration package.

(III) Training program

Applicable Not applicable

The Company continues to promote systematic review of talents and conduct systematic assessment on key position personnel using evaluation tools for professionals. In addition, we have initiated various talent nurturing programmes covering international talents, potential talents and reserve talents, created a nurturing system for professionals to broaden thinking and vision of global business, so as to assist Yili in achieving a global strategic layout.

(IV) Labor outsourcing

Applicable Not applicable

Total working hours for labor outsourcing	190,172.35 hours
Total remuneration paid for labor outsourcing	RMB4,962,000

VII. Others

Applicable Not applicable





诚信 品质

忠诚守信的理念，要求我们在责任面前勇于担当；
用心做事，让高效执行的作风感染每一个伊利人；
保持自律自省，将品质注入灵魂是我们的伊利精神。

Section IX Corporate Governance

I. Information on Corporate Governance

Applicable Not applicable

(I) Corporate governance of the Company

During the reporting period, the Company strictly complied with the requirements of the “Law of Corporation” (《公司法》), the “Governance Standards for Listed Companies” (《上市公司治理准则》) and the relevant national laws and regulations to further improve the establishment of a modern corporate system for the Company and the structure of corporate governance while integrating the development of the Company. The details are as follows:

1. About the General Meeting of Stockholders

The General Meeting of the Company had clear duties and rules of procedure which had been effectively implemented. The procedures for calling and convening, and proposing at, the General Meeting of the Company are in compliance with the relevant provisions in the “Law of Corporation” (《公司法》), “Articles of Association” and the “Rules of Procedure for the General Meeting of the Company” (《公司股东大会议事规则》). There were no material matters bypassing the General Meeting, nor implementation without prior consideration and approval.

2. About the directors and the Board

The Company's Board had clear duties which all directors could perform seriously and responsibly. The procedures for calling and convening the Board meetings are in compliance with the provisions of the “Law of Corporation” (《公司法》), Articles of Association, the “Rules of Procedure for the Company's Board of Directors” (《公司董事会议事规则》) and other relevant laws, regulations and systems. The appointment of all directors was conform with the requirements of the “Law of Corporation” (《公司法》), Articles of Association and other relevant laws, regulations and systems for the qualifications of directors. During their terms of office, all directors were diligent and responsible for their work, actively participated in the Board meetings of the Company and performed their duties in earnest, safeguarding the legal rights and interests of the Company and all shareholders.

The Board of the Company elected directors in strict compliance with the election and appointment procedures prescribed in the “Law of Corporation” (《公司法》) and Articles of Association. Each director attended the Board meetings in a serious and responsible manner and was familiar with relevant laws and regulations to fully exercise and fulfill his/her rights, obligations and responsibility as a director. In order to meet the needs of corporate development, the Company established special committees under the Board, such as the Strategy Committee, Nomination Committee, Remuneration and Appraisal Committee and Audit Committee, according to the “Governance Standards for Listed Companies” (《上市公司治理准则》), Articles of Association, the “Rules of Procedure for the Company's Board of Directors” (《公司董事会议事规则》) and other relevant regulations, and formulated the “Implementation Regulations for the Work of the Company's Special Committees under the Board of Directors” (《公司董事会专门委员会工作实施细则》). Except for the Strategy Committee, all of the special committees under the Board are chaired by independent directors. Independent directors play an important role in making major decisions and investments of the Company, enabling the Company's decision-making more efficient, standardized and scientific.

3. About the supervisors and the Board of Supervisors

The Company's Board of Supervisors had clear duties which all supervisors could perform seriously and responsibly. The procedures for calling and convening the meetings of the Board of Supervisors are in compliance with the provisions of the “Law of Corporation” (《公司法》), Articles of Association, the “Rules of Procedure for the Company's Supervisory Committee” (《公司监事会议事规则》) and other relevant laws, regulations and systems. The appointment of all supervisors was conform with the requirements of the “Law of Corporation” (《公司法》), Articles of Association and other relevant laws and regulations for the qualifications of supervisors. During their terms of office, all supervisors were diligent and responsible for their work, actively participated in the meetings of the Company's Board of Supervisors and performed their duties in earnest, safeguarding the legal rights and interests of the Company and all shareholders.

The Board of Supervisors of the Company elected supervisors in strict compliance with the election and appointment procedures prescribed in the “Law of Corporation” (《公司法》) and Articles of Association. Each supervisor performed his/her duties conscientiously and, in a responsible manner for shareholders, conducted supervision on the legality and compliance of the Company's accountants, directors and

senior management in the course of their duties.

4. About the performance evaluation and the incentive and restraint mechanism

The Company will further improve the performance evaluation standards and the incentive and restraint mechanism, which lay equal stress on both efficiency and fairness.

5. About information disclosure and transparency

The Company has formulated and strictly implemented the “Management System for Information Disclosure of the Company” (《公司信息披露事务管理制度》), clearly specifying the person responsible for information disclosure and ensuring the information disclosed is true, accurate, complete, timely and fair.

The Company appointed the Secretary to the Board to be responsible for the information disclosure and reception of visits and consultations of investors, and designated the newspapers, namely “China Securities Journal” (《中国证券报》) and “Shanghai Securities News” (《上海证券报》), for the information disclosure of the Company. The Company discloses relevant information in a true, accurate, complete and timely manner in strict accordance with the requirements of relevant laws and regulations and ensures that all shareholders had equal opportunities to obtain the information.

6. About stakeholders

The Company fully respected and safeguarded the legal rights and interests of the stakeholders and strived to realize the coordination and balance of interests among the shareholders, employees and society, so as to jointly promote the sustainable, healthy and stable development of the Company.

(II) Establishment and implementation of registration management system for insiders of inside information

In order to further standardize the inside information management of the Company, enhance the confidentiality of inside information, maintain the principle of fairness in information disclosure and protect the legal rights and interests of numerous investors, the Company strictly complies with the “Registration System for Insiders of Inside Information of the Company” (《公司内幕信息知情人登记制度》), enhances the management for the confidentiality of inside information and improves the registration and filing of insiders of inside information. No insider of inside information was found using inside information in trading of shares of the Company before the disclosure of material and sensitive information affecting the share price of the Company.

Whether there exists any material difference between the requirements of the Company's governance and relevant regulations of CSRC; if any, the reasons for the difference

Applicable Not applicable

II. Summary of the General Meetings of Stockholders

Meeting session	Date of meeting	Search index on the designated websites publishing the resolutions	Disclosure date for publishing the resolutions
2016 General Meeting of stockholders	21 April 2017	Website of the Shanghai Stock Exchange (http://www.sse.com.cn)	22 April 2017
2017 first extraordinary General Meeting of stockholders	11 September 2017	Website of the Shanghai Stock Exchange (http://www.sse.com.cn)	12 September 2017

Description of the General Meetings of Stockholders

Applicable Not applicable

III. Performance of Duties by Directors

(I) Attendance of Board meetings and General Meetings of Stockholders by directors

Name of director	Independent director	Attendance at Board meetings					Attendance at General Meetings of stockholders	
		Number of Board meetings required to be attended during the year	Attended in person	Attended via communication	Attended by representative	Absence	Failed to attend in person at two meetings in a row	Number of attendance at General Meetings of stockholders
Pan Gang (潘刚)	No	39	39	37	0	0	No	1
Liu Chunhai (刘春海)	No	39	39	37	0	0	No	1
Zhao Chengxia (赵成霞)	No	25	25	24	0	0	No	1
Hu Liping (胡利平)	No	39	39	37	0	0	No	2
Wang Ruisheng (王瑞生)	No	12	12	11	0	0	No	1
Wang Xiaogang (王晓刚)	No	12	12	12	0	0	No	0
Yan Junrong (闫俊荣)	No	27	27	26	0	0	No	1
Zhang Junping (张俊平)	No	39	37	37	2	0	No	0
Yang Jinguo (杨金国)	No	12	11	11	1	0	No	0
Gao Debu (高德步)	Yes	39	39	37	0	0	No	2
Gao Hong(高宏)	Yes	39	39	37	0	0	No	2
Zhang Xinling (张心灵)	Yes	39	39	37	0	0	No	2
Lyu Gang(吕刚)	Yes	39	39	37	0	0	No	2
Xiao Bin(肖斌)	No	27	26	26	1	0	No	0

Explanation on failure to attend in person at two Board meetings in a row

Applicable Not applicable

Number of Board meetings held during the year	39
Including: number of meetings held on-site	2
Number of meetings held via communication	37
Number of meetings held on-site with communication	0

(II) Objections raised by independent directors to relevant matters of the Company

Applicable Not applicable

(III) Others

Applicable Not applicable

IV. Important Opinions and Suggestions Proposed by Special Committees under the Board in Performance of Duties during the Reporting Period and Disclosure of the Particulars of Objections

Applicable Not applicable

V. Explanation on the Risks of the Company found by the Board of Supervisors

Applicable Not applicable

The Board of Supervisors had no objections to the matters subject to supervision during the reporting period.

VI. Explanation on the Relationship between the Company and the Controlling Shareholders in respect to the Business, Personnel, Assets, Institutions and Finance which Resulted the Company's Incapability to Maintain Independence and Independent Operating Ability

Applicable Not applicable

Measures, progress and follow-up plans of the Company for horizontal competition

Applicable Not applicable

VII. Establishment and Implementation of the Evaluation Mechanism and Incentive Mechanism for Senior Management during the Reporting Period

Applicable Not applicable

The mechanisms were implemented pursuant to the relevant requirements of the Company under the actual operating conditions of the Company.

VIII. Whether the Self-assessment Report on Internal Control would be Disclosed

Applicable Not applicable

For details of the "2017 Assessment Report on Internal Control of the Company" (《公司2017年度内部控制评价报告》), please refer to the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

Description on significant defects in the internal control during the reporting period

Applicable Not applicable

IX. Relevant issues on the Audit Report on Internal Control

Applicable Not applicable

Da Hua Certified Public Accountants (Special General Partnership) issued a standard audit report on internal control with unqualified opinions for the Company.

For details of the "2017 Audit Report on Internal Control of the Company" (《公司2017年度内部控制审计报告》), please refer to the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

Whether the audit report on internal control would be disclosed: Yes

X. Others

Applicable Not applicable



Section X Particulars of Corporate Bonds

Applicable Not applicable

Section XI Financial Report

Audit Report

D.H.S.Z.[2018]003301

To: the Shareholders of Inner Mongolia Yili Industrial Group Co., Ltd.

I. Audit Opinion

We have audited the accompanying financial statements of Inner Mongolia Yili Industrial Group Co., Ltd. (Here after as “the Group” or “Yili”) which comprise the consolidated and parent company balance sheets as of 31st December 2017, the consolidated and parent company incomes statements, the consolidated and parent company statement of changes in equity and the consolidated and parent company cash flow statements for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present in all material respects accordance with the requirements of Accounting Standards for Business Enterprises, and give a true and fair view of the Group and parent company’s financial position as of 31st December 2017 and its financial performance and its cash flows for the year then ended.

II. Basis of Forming Audit Opinion

We conducted our audit procedure in complying China CPA Audit Standards. ‘IV. Certified Public Accountant’s Responsibility for the Financial Statements’ audit’ in this report describes our responsibilities under these standards. Those standards require that we comply with ethical requirements, that we are independent from the Group and have fulfilled all other ethical obligations. We believe that we have obtained sufficient and appropriate audit evidence as basis of our audit opinion.

III. Key Audit Matters

Key audit matters are those matters we considered as the most significant to the audit of Financial Statement for the year upon our professional judgments. Such matters were addressed in the context of our audit of the financial statements as a whole to forming our opinion, we do not provide a separate opinion on these matters.

We identified the government subsidies as the key audit matters to communicate during auditing.

1. Description

Please refer to the Notes to Financial Statement for, Government Subsidies and changes in accounting estimates in the part of Key Accounting Policies and Estimates, and also refer to the statement of Fixed Assets, Intangible Assets, Other Current Liabilities, Deferred Income, Other Income, Government Subsidies and Non-Operating Income. The group has changes in the accounting policy for government subsidies in complying with Accounting Standards for Enterprises No.16--Government subsidies (revised in 2017) (C.K.[2017]#15). The changes in accounting policy for government subsidies have significant influence regarding to the recognition, valuation and disclosure on multiple items in financial statement. In 2017, it results a decrease of 585,841,453.54 RMB on fixed assets, a decrease of 568,886,347.51 RMB on intangible assets, a decrease of 53,435,084.66 RMB on other current liabilities, a decrease of 1,101,292,716.39 RMB on deferred income, a decrease of 39,105,482.67 RMB on operating cost, a decrease of 16,489,841.68 RMB on general administration expense, a decrease of 1,204,000.00 RMB in financial expense, an increase of 788,013,845.50 RMB on other income, a decrease of 844,813,169.85 RMB in non-operating income. This change in accounting policy has an important impact on the accuracy and fairness of the current financial statements. Therefore, we considered Government Subsidies as key audit matters.

2. Audit Response

We have performed following audit procedure regarding to government subsidies as key audit matter:

- Understand and evaluate the reasonableness and the effectiveness of internal control regarding to government subsidies.
- Communicate with the group regarding to the application of the change in government subsidies comply with the Accounting Standards for Enterprises, and obtain the authorized document of such comply and the announcement in regard.
- Check the documents, receipt and accounting treatment regarding to the government subsidies, evaluate if the classification on assets-related government subsidies and income-related government subsidies is complied with the group’s accounting policy or not.



d.Obtain and check the documents and accounting treatment of assets-related government subsidies, focusing on original journals and entries treatment; obtain the ledger of assets-related government subsidies covered fixed assets and intangible assets, compare and check if the original value, depreciation and amortization is correct after the changes of the accounting policy.

e.Obtain and check the documents and accounting treatment of income- related government subsidies, focusing on original journals and entries treatment.

f.Check if the accounting item has disclosed in accordance with the updated government subsidies policy.

Based upon our audit procedures, we have confirmed that the group’s accounting policy has been complied with the updated Government Subsidies policy.

iv. Other Information

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report but does not include the consolidated financial statement, the parent company financial statement and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report, and in doing so, consider whether the other information is materially with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

v. Responsibility of Corporate Governance & the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of these financial statements fairly in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group, or to cease operations, or has no realistic alternative but to do so.

Corporate Governance is responsible for supervising the process and production of the Group’s financial reports.

vi. Certified Public Accountant’s Responsibility for the Audit of Financial Statements.

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit will always detect a material misstatement when it exists. Misstatement can arise from fraud or error, and are considered as material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statement.

During our audit in accordance with Audit Standards, we exercise our professional judgment, and maintain professional skepticism throughout the audit, as well as performing following procedure:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control.

2. Obtain an Understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made.

4. Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern, if we conclude that a material uncertainty exists, we are required to draw attention in our

auditor’s report to the related disclosures in the financial statements, or if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

5. Obtain sufficient appropriate audit evidence regarding the financial information of the entities business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion. We communicate with the Board of Directors or its relevant committee regarding, the planned scope, timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial reports of the current period, and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstance, we determine that a matter should not be communicated in our reports because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing China

25. April. 2018

China CPA: Zhang Wenrong
(Engagement Partner)

China CPA: Liu Guang



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Consolidated Balance Sheet

As of 31st December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Assets	Notes 6	Closing Balance	Opening Balance
Current assets:			
Cash and cash equivalent	Note 1	21,823,066,175.50	13,823,654,267.84
Financial assets measured at VSOE and of which the variation is booked in current period P&L			
Derivative financial assets			
Notes receivable	Note 2	163,597,000.00	114,360,000.00
Accounts receivable	Note 3	786,140,204.59	572,137,397.50
Prepayments	Note 4	1,192,434,176.04	558,390,402.57
Interest receivable	Note 5	188,447,046.71	35,138,313.96
Dividends receivable			
Other receivables	Note 6	44,661,797.11	38,931,444.07
Inventory	Note 7	4,639,993,865.79	4,325,780,867.62
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	Note 8	1,007,391,592.71	690,496,007.23
Total current assets		29,845,731,858.45	20,158,888,700.79
Non-current assets:			
Available-for-sale financial assets	Note 9	651,819,595.43	612,364,316.30
Held-to-maturity investment			
Long-term receivable			
Long-term equity investment	Note 10	1,765,185,096.75	1,631,100,350.13
Real estate investment			
Fixed assets	Note 11	13,256,390,281.64	13,137,462,025.67
Construction in progress	Note 12	1,887,857,336.13	1,343,596,812.57
Construction material	Note 13	14,208,300.58	51,897,322.77
Disposal of fixed assets			
Biological assets			
Oil and gas assets			
Intangible assets	Note 14	514,361,212.49	990,882,120.87
R&D costs			
Goodwill	Note 15	10,678,610.25	10,678,610.25
Long-term deferred expenses	Note 16	69,195,040.35	143,653,075.29
Deferred tax assets	Note 17	559,946,094.74	518,576,452.95
Other non-current assets	Note 18	724,981,891.33	663,173,098.15
Total non-current assets		19,454,623,459.69	19,103,384,184.95
Total assets		49,300,355,318.14	39,262,272,885.74

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO): Zhao Chengxia

Finance Manager: Zhang Zhanqiang

Consolidated Balance Sheet (Continue)

As of 31st December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Liabilities and Equity	Notes 6	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings	Note 19	7,860,000,000.00	150,000,000.00
Financial liabilities measured at VSOE and of which the variation is booked in current period P&L			
Derivative financial liabilities			
Notes payable	Note 20	215,276,807.81	337,619,879.05
Accounts payable	Note 21	7,253,879,470.79	6,752,911,591.08
Received in advance	Note 22	4,125,571,142.63	3,591,668,262.20
Payroll payable	Note 23	2,603,617,352.74	2,315,174,484.06
Taxes payable	Note 24	404,090,753.48	490,228,209.95
Interest payable	Note 25	9,326,783.74	67,375.00
Dividends payable	Note 26	73,131,211.86	49,930,411.78
Other payables	Note 27	1,269,009,324.38	1,155,154,021.77
Liabilities held-for-sale			
Non-current liabilities due within one year	Note 28	24,191,543.48	
Other current liabilities	Note 29	11,930,958.27	64,700,478.79
Total current liabilities		23,850,025,349.18	14,907,454,713.68
Non-current liabilities:			
Long-term borrowings	Note 30	289,000.00	289,000.00
Bond payable			
Include: Preference share			
Include: Perpetual debt			
Long-term payables	Note 31	64,037,282.56	
Long-term payroll payable			
Specialized payables			
Contingent liabilities			
Deferred income	Note 32	146,186,181.18	1,118,641,295.55
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		210,512,463.74	1,118,930,295.55
Total liabilities		24,060,537,812.92	16,026,385,009.23
Equity:			
Paid-in capital	Note 33	6,078,492,608.00	6,064,800,108.00
Other equity instruments			
Capital reserve	Note 34	2,765,534,558.98	2,476,360,076.55
Less: Treasury shares	Note 35	201,690,525.00	
Other comprehensive income	Note 36	-71,393,317.81	361,950,012.64
Specialised reserve			
Surplus reserve	Note 37	2,422,653,944.48	1,885,901,799.54
Retained earnings	Note 38	14,109,791,931.29	12,292,754,714.15
Equity attributable to parent company		25,103,389,199.94	23,081,766,710.88
Minority interests		136,428,305.28	154,121,165.63
Total owner's equity		25,239,817,505.22	23,235,887,876.51
Total liabilities and owner's equity		49,300,355,318.14	39,262,272,885.74

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO): Zhao Chengxia

Finance Manager: Zhang Zhanqiang



The Parent Company Balance Sheet

As of 31st December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Assets	Notes 16	Closing Balance	Opening Balance
Current assets:			
Cash and cash equivalent		10,709,781,604.26	3,209,486,731.32
Financial assets measured at VSOE and of which the variation is booked in current period P&L			
Derivative financial assets			
Notes receivable		163,597,000.00	114,360,000.00
Accounts receivable	Note 1	741,569,268.53	539,049,314.86
Prepayments		1,659,366,511.73	1,415,512,915.26
Interest receivable			
Dividends receivable			
Other receivables	Note 2	16,069,471.42	28,287,358.38
Inventory		1,766,576,188.90	1,581,349,468.81
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		416,616,042.01	472,398,013.48
Total current assets		15,473,576,086.85	7,360,443,802.11
Non-current assets:			
Available-for-sale financial assets		312,158,205.93	281,680,421.44
Held-to-maturity investment			
Long-term receivable			
Long-term equity investment	Note 3	22,882,546,329.41	21,677,239,273.65
Real estate investment			
Fixed assets		1,197,479,126.94	1,275,267,090.57
Construction in progress		109,296,363.42	43,220,633.12
Construction material		275,612.67	54,522.22
Disposal of fixed assets			
Biological assets			
Oil and gas assets			
Intangible assets		122,792,285.46	114,348,933.90
R&D costs			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		223,881,953.15	215,406,764.23
Other non-current assets		273,915,262.11	256,386,272.92
Total non-current assets		25,122,345,139.09	23,863,603,912.05
Total assets		40,595,921,225.94	31,224,047,714.16

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

The Parent Company Balance Sheet (Continue)

As of 31st December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Liabilities and Equity	Notes 16	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings		6,530,000,000.00	
Financial liabilities measured at VSOE and of which the variation is booked in current period P&L			
Derivative financial liabilities			
Notes payable		215,276,807.81	335,969,879.05
Accounts payable		8,363,925,580.90	8,014,274,940.25
Received in advance		4,116,975,284.09	3,581,961,224.66
Payroll payable		2,174,685,713.13	1,937,277,335.82
Taxes payable		196,770,282.80	249,651,688.07
Interest payable		7,811,512.50	
Dividends payable		68,788,979.38	49,930,411.78
Other payables		1,143,233,635.01	1,034,471,223.30
Liabilities held-for-sale			
Non-current liabilities due within one year		4,429,655.00	
Other current liabilities			3,188,871.05
Total current liabilities		22,821,897,450.62	15,206,725,573.98
Non-current liabilities:			
Long-term borrowings		289,000.00	289,000.00
Bond payable			
Include: Preference share			
Include: Perpetual debt			
Long-term payables		4,784,061.67	
Long-term payroll payable			
Specialized payables			
Contingent liabilities			
Deferred income		51,269,856.51	120,954,625.04
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		56,342,918.18	121,243,625.04
Total liabilities		22,878,240,368.80	15,327,969,199.02
Equity:			
Paid-in capital		6,078,492,608.00	6,064,800,108.00
Other equity instrument			
Capital reserve		2,662,182,198.01	2,373,007,715.58
Less: Treasury shares		201,690,525.00	
Other comprehensive income			
Specialised reserve			
Surplus reserve		2,422,653,944.48	1,885,901,799.54
Retained earnings		6,756,042,631.65	5,572,368,892.02
Total owner's equity		17,717,680,857.14	15,896,078,515.14
Total liabilities and owner's equity		40,595,921,225.94	31,224,047,714.16

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang



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Consolidated Income Statement

For the year ended 31 December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Current Period	Prior Period
1.Total revenue		68,058,174,312.35	60,609,221,525.26
Operating revenue	Note 39	67,547,449,530.32	60,312,009,671.16
Interest revenue	Note 40	510,724,782.03	297,211,854.10
Less: Operating cost	Note 39	42,362,402,660.65	37,427,435,447.17
Interest expenses	Note 41	141,666.67	
Taxes and surcharges	Note 42	511,570,189.97	420,072,423.22
Selling expenses	Note 43	15,521,862,502.34	14,114,316,499.65
Administrative expenses	Note 44	3,317,048,744.48	3,456,666,028.41
Finance expenses	Note 45	113,485,343.63	23,879,679.28
Impairment Losses on Assets	Note 46	50,623,372.02	45,700,243.62
Add: Profit & loss due to VSOE changes			
Investment profit	Note 47	134,679,258.02	399,261,007.93
Including: investment profit from associates and joint ventures		86,557,819.01	-7,596,496.47
Gain from assets disposal	Note 48	12,178,238.41	3,716,606.73
Other income	Note 49	788,013,845.50	
2.Operating profits		7,115,911,174.52	5,524,128,818.57
Add: Non-operating income	Note 51	85,597,784.38	1,163,190,818.28
Less: Non-operating expenses	Note 52	127,535,613.09	55,247,632.94
3.Profit before tax		7,073,973,345.81	6,632,072,003.91
Less: Income tax expenses	Note 53	1,071,158,370.70	963,036,767.04
4.Net profit		6,002,814,975.11	5,669,035,236.87
Net profit contributed before the combination under common control			
I. Net Profit classified as continuity			
Net Profit from Continuous operation		6,002,814,975.11	5,669,035,236.87
Net Profit from discontinuing operation			
II. Profit classified as ownership			
Net profit attributable to parent company		6,000,884,926.88	5,661,807,747.14
Net profit attributable to minorities		1,930,048.23	7,227,489.73
5.Other comprehensive income after tax		-433,343,330.45	165,069,420.98
Other comprehensive income after tax attributable to parent company		-433,343,330.45	165,069,420.98
I. Other comprehensive income could not be reclassified as profit or loss			
i.Remeasurement changes of defined benefit plans for net liability & equity			
ii.Portion of other comprehensive income not to be reclassified as profit or loss under equity method			
II.Other comprehensive income could be reclassified as profit or loss		-433,343,330.45	165,069,420.98
i.Portion of other comprehensive income to be reclassified as profit or loss under equity method			
ii. Gain & loss due to VSOE changes of available-for-sale financial assets		9,420,574.64	-184,008,576.11
iii.Gain or loss due to reclassification of held-to-maturity investments to available-for-sale financial assets			
iv.Gain or loss on effective cash flow hedging			
v.Currency translation reserve		-442,763,905.09	349,077,997.09
Other comprehensive income attributable to minorities after tax			
6.Total comprehensive income		5,569,471,644.66	5,834,104,657.85
Total comprehensive income attributable to parent company		5,567,541,596.43	5,826,877,168.12
Total comprehensive income attributable to minorities		1,930,048.23	7,227,489.73
7.Earnings per share:			
I. Basic earnings per share		0.99	0.93
II.Diluted earnings per share		0.99	0.93

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

The Parent Company Income Statement

For the year ended 31 December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 16	Current Period	Prior Period
1.Operating revenue	Note 4	68,265,817,565.25	60,597,796,104.26
Less: Operating cost	Note 4	50,861,417,492.90	45,602,137,667.87
Taxes and surcharges		284,356,104.31	237,202,429.34
Selling expenses		12,796,865,870.79	11,602,185,702.17
Administrative expenses		1,578,044,667.83	1,731,960,487.55
Finance expenses		131,520,778.91	-57,897,952.19
Impairment Losses on Assets		26,175,387.02	20,555,343.79
Add: Gain from fair-value changes			
Investment profit	Note 5	2,760,697,916.76	2,446,257,752.46
Including: investment profit from associates and joint ventures		86,780,128.15	-7,659,010.08
Gain from assets disposal		1,166,738.61	9,202,548.84
Other income		486,909,012.39	
2.Operating profits		5,836,210,931.25	3,917,112,727.03
Add: Non-operating income		62,861,195.49	730,429,753.17
Less: Non-operating expenses		107,915,669.38	14,460,966.00
3.Profit before tax		5,791,156,457.36	4,633,081,514.20
Less: Income tax expenses		423,635,007.99	323,041,385.40
4.Net profit		5,367,521,449.37	4,310,040,128.80
Net Profit from Continuous operation		5,367,521,449.37	4,310,040,128.80
Net Profit from discontinuing operation			
5.Other comprehensive income after tax			
I. Other comprehensive income could not be reclassified as profit or loss			
i.Remeasurement changes of defined benefit plans for net liability & equity			
ii.Portion of other comprehensive income not to be reclassified as profit or loss under equity method			
II.Other comprehensive income could be reclassified as profit or loss			
i.Portion of other comprehensive income to be reclassified as profit or loss under equity method			
ii. Gain & loss due to VSOE changes of available-for-sale financial assets			
iii.Gain or loss due to reclassification of held-to-maturity investments to available-for-sale financial assets			
iv.Gain or loss on effective cash flow hedging			
v.Currency translation reserve			
6.Total comprehensive income		5,367,521,449.37	4,310,040,128.80
7.Earnings per share:			
I. Basic earnings per share			
II.Diluted earnings per share			

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang



Consolidated Cash Flows Statement

For the year ended 31 December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Current Period	Prior Period
1.Cash flows from operating activities			
Cash received from sales and services		75,699,027,500.05	67,615,095,171.05
Cash received from interest income, charges and commission		376,048,983.09	337,117,728.04
Cash from tax return		2,058,059.70	1,701,488.16
Other cash received relevant to operating activities	Note 54	1,437,241,714.39	1,452,537,922.67
Total cash inflows from operating activities		77,514,376,257.23	69,406,452,309.92
Cash paid for goods and services		57,934,739,382.10	45,986,710,849.84
Net increase in deposits with central bank and inter-bank		578,481,739.38	-411,890,679.22
Cash paid for interest expense, charges and commissions		141,666.67	
Cash paid to and for employees		5,969,265,197.88	6,001,514,707.40
Cash paid for taxes		4,629,340,722.30	3,921,744,206.43
Other cash payments related to operating activities	Note 54	1,396,110,369.92	1,091,047,410.22
Total cash outflows from operating activities		70,508,079,078.25	56,589,126,494.67
Net cash flows from operating activities		7,006,297,178.98	12,817,325,815.25
2.Cash flows from investing activities			
Cash received from withdraw of investments		14,522,215.51	420,647,517.49
Cash received from investment income		53,138,113.89	133,210,695.75
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		72,802,045.59	22,875,847.30
Net cash received from disposal of subsidiaries and other business units			1,227,900,964.31
Other cash received relevant to investing activities	Note 54	139,085,711.45	
Total cash inflows from investing activities		279,548,086.44	1,804,635,024.85
Cash paid for fixed assets,intangible assets and other long-term assets		3,351,359,455.32	3,419,007,157.35
Cash payments for investments		45,000,000.00	1,489,238,057.00
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments related to investing activities	Note 54		139,601,930.34
Total cash outflows from investing activities		3,396,359,455.32	5,047,847,144.69
Net cash flows from investing activities		-3,116,811,368.88	-3,243,212,119.84
3.Cash flows from financing activities			
Cash received from investments by others		217,686,000.00	
Including: Cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		8,460,000,000.00	550,000,000.00
Other cash received relevant to other financing activities			
Total cash inflows from financing activities		8,677,686,000.00	550,000,000.00
Cash repayments for debts		750,000,000.00	6,588,000,000.00
Cash payments for distribution of dividends, profit and interest expenses		3,845,428,901.98	2,776,233,066.40
Including: Dividends or profit paid by subsidiaries to minority shareholders		15,280,676.10	17,225,597.91
Other cash payments related to financing activities	Note 54	29,450,475.00	300,000.00
Total cash outflows from financing activities		4,624,879,376.98	9,364,533,066.40
Net cash flows from financing activities		4,052,806,623.02	-8,814,533,066.40
4.Effect of foreign exchange rate changes on cash and cash equivalents		-397,717,708.47	235,104,214.87
5.Net increase in cash and cash equivalents		7,544,574,724.65	994,684,843.88
Add: Beginning balance of cash and cash equivalents		13,211,405,187.36	12,216,720,343.48
6.Ending balance of cash and cash equivalents		20,755,979,912.01	13,211,405,187.36

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

The Parent Company Cash Flows Statement

For the year ended 31 December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 16	Current Period	Prior Period
1.Cash flows from operating activities			
Cash received from sales and services		76,811,128,025.04	68,802,459,745.33
Cash from tax return			
Other cash received relevant to operating activities		776,576,629.19	1,016,688,456.05
Total cash inflows from operating activities		77,587,704,654.23	69,819,148,201.38
Cash paid for goods and services		67,091,946,021.38	53,988,438,102.98
Cash paid to and for employees		3,370,418,188.33	3,497,549,142.57
Cash paid for taxes		2,783,068,702.63	2,171,406,114.90
Other cash payments related to operating activities		1,006,450,995.94	770,032,649.69
Total cash outflows from operating activities		74,251,883,908.28	60,427,426,010.14
Net cash flows from operating activities		3,335,820,745.95	9,391,722,191.24
2.Cash flows from investing activities			
Cash received from withdraw of investments		14,522,215.51	417,179,044.76
Cash received from investment income		2,679,837,324.33	2,056,849,208.14
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		31,880,704.77	4,367,346.31
Net cash received from disposal of subsidiaries and other business units			1,400,000,000.00
Other cash received relevant to investing activities		250,000,000.00	200,000,000.00
Total cash inflows from investing activities		2,976,240,244.61	4,078,395,599.21
Cash paid for fixed assets,intangible assets and other long-term assets		332,473,637.09	457,798,760.65
Cash payments for investments		1,116,000,000.00	8,364,835,148.83
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments related to investing activities		300,000,000.00	450,000,000.00
Total cash outflows from investing activities		1,748,473,637.09	9,272,633,909.48
Net cash flows from investing activities		1,227,766,607.52	-5,194,238,310.27
3.Cash flows from financing activities			
Cash received from investments by others		217,686,000.00	
Cash received from borrowings		7,130,000,000.00	350,000,000.00
Other cash received relevant to other financing activities			
Total cash inflows from financing activities		7,347,686,000.00	350,000,000.00
Cash repayments for debts		600,000,000.00	5,250,000,000.00
Cash payments for distribution of dividends, profit and interest expenses		3,803,503,005.53	2,740,693,581.23
Other cash payments related to financing activities		7,475,475.00	
Total cash outflows from financing activities		4,410,978,480.53	7,990,693,581.23
Net cash flows from financing activities		2,936,707,519.47	-7,640,693,581.23
4.Effect of foreign exchange rate changes on cash and cash equivalents			-8,097.32
5.Net increase in cash and cash equivalents		7,500,294,872.94	-3,443,217,797.58
Add: Beginning balance of cash and cash equivalents		3,209,486,731.32	6,652,704,528.90
6.Ending balance of cash and cash equivalents		10,709,781,604.26	3,209,486,731.32

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang



滋养生命活力

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Current Period								
		Equity attributable to parent company						Minority interests		Total owner's equity
		Paid-in capital	Other equity instrument	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve	Surplus reserve	Retained earnings	
1. Ending balance brought from prior period	6,064,800,108.00	-	2,476,360,076.55	-	361,950,012.64	-	1,885,901,799.54	12,292,754,714.15	154,121,165.63	23,235,887,876.51
Add: Change due to changes in accounting policies										-
Change due to corrections of errors in Prior Period										-
Merger and acquisition with company with same ultimate control										-
Others										-
2. Beginning balance of current period	6,064,800,108.00	-	2,476,360,076.55	-	361,950,012.64	-	1,885,901,799.54	12,292,754,714.15	154,121,165.63	23,235,887,876.51
3. Change from current period	13,692,500.00	-	289,174,482.43	201,690,525.00	-433,343,330.45	-	536,752,144.94	1,817,037,217.14	-17,692,860.35	2,003,929,628.71
I. Total comprehensive income					-433,343,330.45			6,000,884,926.88	1,930,048.23	5,569,471,644.66
II. Owner's contributions and withdrawals of capital	13,692,500.00	-	289,174,482.43	201,690,525.00	-	-	-	-	-	101,176,457.43
i. Common stock contributed by owners	13,692,500.00	-	196,213,525.00	-	-	-	-	-	-	209,906,025.00
ii. Capital contributed by other equity instruments holders										-
iii. Share-based payment recorded in owner's equity			92,960,957.43	201,690,525.00						-108,729,567.57
iv. Others										-
III. Profits distribution							536,752,144.94	-4,183,847,709.74	-19,622,908.58	-3,666,718,473.38
i. Appropriation of surplus reserve							536,752,144.94	-536,752,144.94		-
ii. Distribution to owner/shareholder								-3,647,095,564.80	-19,622,908.58	-3,666,718,473.38
iii. Others										-
IV. Transfer within owner's equity										-
i. Capital reserve transferred to paid-in capital										-
ii. Surplus reserve transferred to paid-in capital										-
iii. Recover of loss by surplus reserve										-
iv. Remeasurement changes of defined benefit plans for net liability & equity										-
v. Others										-
V. Specialized reserve										-
i. Current year accrual										-
ii. Current year utilization										-
VI. Others										-
4. Ending balance of current period	6,078,492,608.00	-	2,765,534,558.98	201,690,525.00	-71,393,317.81	-	2,422,653,944.48	14,109,791,931.29	136,428,305.28	25,239,817,505.22

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO): Zhao Chengxia

Finance Manager: Zhang Zhanqiang

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Prior Period								
		Equity attributable to parent company						Minority interests		Total owner's equity
		Paid-in capital	Other equity instrument	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve	Surplus reserve	Retained earnings	
1. Ending balance brought from prior period	6,064,800,108.00	-	2,476,707,919.74	-	196,880,591.66	-	1,454,897,786.66	9,791,111,028.49	161,518,872.50	20,145,916,307.05
Add: Change due to changes in accounting policies										-
Change due to corrections of errors in Prior Period										-
Merger and acquisition with company with same ultimate control										-
Others										-
2. Beginning balance of current period	6,064,800,108.00	-	2,476,707,919.74	-	196,880,591.66	-	1,454,897,786.66	9,791,111,028.49	161,518,872.50	20,145,916,307.05
3. Change from current period					-347,843.19		165,069,420.98	-431,004,012.88	2,501,643,685.66	-7,397,706.87
I. Total comprehensive income							165,069,420.98		5,661,807,747.14	7,227,489.73
II. Owner's contributions and withdrawals of capital					1,117,200.03					-507,938.01
i. Common stock contributed by owners										-300,000.00
ii. Capital contributed by other equity instruments holders										-
iii. Share-based payment recorded in owner's equity					1,117,200.03					1,117,200.03
iv. Others										-207,938.01
III. Profits distribution								431,004,012.88	-3,160,164,061.48	-14,117,258.59
i. Appropriation of surplus reserve								431,004,012.88	-431,004,012.88	-
ii. Distribution to owner/shareholder									-2,729,160,048.60	-14,117,258.59
iii. Others										-2,743,277,307.19
IV. Transfer within owner's equity										-
i. Capital reserve transferred to paid-in capital										-
ii. Surplus reserve transferred to paid-in capital										-
iii. Recover of loss by surplus reserve										-
iv. Remeasurement changes of defined benefit plans for net liability & equity										-
v. Others										-
V. Specialized reserve										-
i. Current year accrual										-
ii. Current year utilization										-
VI. Others										-1,465,043.22
4. Ending balance of current period	6,064,800,108.00	-	2,476,360,076.55	-	361,950,012.64	-	1,885,901,799.54	12,292,754,714.15	154,121,165.63	23,235,887,876.51

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO): Zhao Chengxia

Finance Manager: Zhang Zhanqiang



The Parent Company Statement on Changes of Owner's Equity

For the year ended 31 December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 16	Current Period								Total owner's equity
		Paid-in capital	Other equity instrument	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve	Surplus reserve	Retained earnings	
1. Ending balance brought from prior period		6,064,800,108.00		2,373,007,715.58				1,885,901,799.54	5,572,368,892.02	15,896,078,515.14
Add: Change due to changes in accounting policies										
Change due to corrections of errors in Prior Period										
Others										
2. Beginning balance of current period		6,064,800,108.00		2,373,007,715.58				1,885,901,799.54	5,572,368,892.02	15,896,078,515.14
3. Change from current period		13,692,500.00		289,174,482.43	201,690,525.00			536,752,144.94	1,183,673,739.63	1,821,602,342.00
I. Total comprehensive income									5,367,521,449.37	5,367,521,449.37
II. Owner's contributions and withdrawals of capital		13,692,500.00		289,174,482.43	201,690,525.00					101,176,457.43
i. Common stock contributed by owners		13,692,500.00		196,213,525.00						209,906,025.00
ii. Capital contributed by other equity instruments holders										
iii. Share-based payment recorded in owner's equity				92,960,957.43	201,690,525.00					-108,729,567.57
iv. Others										
III. Profits distribution								536,752,144.94	-4,183,847,709.74	-3,647,095,564.80
i. Appropriation of surplus reserve								536,752,144.94	-536,752,144.94	
ii. Distribution to owner/shareholder										-3,647,095,564.80
iii. Others										
IV. Transfer within owner's equity										
i. Capital reserve transferred to paid-in capital										
ii. Surplus reserve transferred to paid-in capital										
iii. Recover of loss by surplus reserve										
iv. Remeasurement changes of defined benefit plans for net liability & equity										
v. Others										
V. Specialized reserve										
i. Current year accrual										
ii. Current year utilization										
VI. Others										
4. Ending balance of current period		6,078,492,608.00		2,662,182,198.01	201,690,525.00			2,422,653,944.48	6,756,042,631.65	17,717,680,857.14

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

The Parent Company Statement on Changes of Owner's Equity

For the year ended 31 December 2017

Prepared by: Inner Mongolia Yili Industrial Group Co., Ltd.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 16	Prior Period								Total owner's equity
		Paid-in capital	Other equity instrument	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve	Surplus reserve	Retained earnings	
1. Ending balance brought from prior period		6,064,800,108.00		2,373,531,380.92				1,454,897,786.66	4,422,492,824.70	14,315,722,100.28
Add: Change due to changes in accounting policies										
Change due to corrections of errors in Prior Period										
Others										
2. Beginning balance of current period		6,064,800,108.00		2,373,531,380.92				1,454,897,786.66	4,422,492,824.70	14,315,722,100.28
3. Change from current period				-523,665.34				431,004,012.88	1,149,876,067.32	1,580,356,414.86
I. Total comprehensive income									4,310,040,128.80	4,310,040,128.80
II. Owner's contributions and withdrawals of capital				1,117,200.03						1,117,200.03
i. Common stock contributed by owners										
ii. Capital contributed by other equity instruments holders										
iii. Share-based payment recorded in owner's equity										
iv. Others				1,117,200.03						1,117,200.03
III. Profits distribution								431,004,012.88	-3,160,164,061.48	-2,729,160,048.60
i. Appropriation of surplus reserve								431,004,012.88	-431,004,012.88	
ii. Distribution to owner/shareholder										-2,729,160,048.60
iii. Others										
IV. Transfer within owner's equity										
i. Capital reserve transferred to paid-in capital										
ii. Surplus reserve transferred to paid-in capital										
iii. Recover of loss by surplus reserve										
iv. Remeasurement changes of defined benefit plans for net liability & equity										
v. Others										
V. Specialized reserve										
i. Current year accrual										
ii. Current year utilization										
VI. Others				-1,640,865.37						-1,640,865.37
4. Ending balance of current period		6,064,800,108.00		2,373,007,715.58				1,885,901,799.54	5,572,368,892.02	15,896,078,515.14

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang



Inner Mongolia Yili Industrial Group Co., Ltd.

Notes to Consolidated Financial Statements 2017

I. Corporate basic information

(i). Registration information

Company Registered Address: No.1 Jinshan Street, Jinshan Development Zone, Hohhot.

Legal Representative: Pan Gang.

Inner Mongolia Yili Industrial Group Co., Ltd. (hereinafter referred to as “the company” or “company”) was approved by Inner Mongolia Securities Commission with <N.Z.Q.W.Z. [1995] No. 9>, and reviewed by the China Securities Regulatory Commission. With the initial public offering of 17.15 million shares in January 1996, the company was listed at Shanghai Stock Exchange in March 1996 and the stock code is 600887.

The company passed two plans of replenishment and share allotment in General Meeting Of Stockholders in 1996 and 1997, which were approved by the China Securities Regulatory Commission with <Z.J.S.Z. [1997] No. 15> and <Z.J.S.Z. [1998] No. 132>. The proportion of both two allotments is 10 with 3 shares.

With the approval of China Securities Regulatory Commission with <Z.J.F.X.Z. [2002] No. 45>, the company additionally issued RMB ordinary shares of 48,961,424 shares. After the additional insurance, the share capital was 195,632,494 shares in total.

In 2003, the company transferred capital reserve into capital stock at ratio of 10 to 10. After the transfer, the total capital stock was 391,264,988 shares.

In 2006, the company transferred capital reserve into capital stock at ratio of 10 to 3.2. After the transfer, the total capital stock was 516,469,784 shares.

In 2006, the company's application for public issuance of 154,940,935 warrants was approved by China Securities Regulatory Commission with <Z.J.S.Z. [2006] No. 103>, and the company completed the registration of rights and settlements on November 14, 2007, with 149,568,028 warrants for exercise and increasing 149,568,028 shares of capital stock. After the exercise, the total capital stock was 666,037,812 shares.

In 2006, the company's second extraordinary general meeting of shareholders examined and approved the “Stock Option Incentive Plan (Draft)”, granting 50,000,000 options for incentive objects. 64,480 options were exercised and transferred into capital stock in 2007. The total capital stock after the exercise was 666,102,292 shares.

In 2008, the company transferred capital reserve into capital stock at ratio of 10 to 2. After the transfer, the total capital stock was 799,322,750 shares.

In 2011, the company transferred capital reserve into capital stock at ratio of 10 to 10. After the transfer, the total capital stock was 1,598,645,500 shares.

In 2013, approved by the China Securities Regulatory Commission <Z.J.X.K. [2012] No. 1638>, the company issued 272,212,500 ordinary shares in non-public offerings in January 2013. The total share capital after non-public issuance was 1,870,858,000 shares.

In June and July 2013, the incentive objects exercised 153,963,908 shares and 18,092,114 shares, and the total share capital after exercise was 2,042,914,022 shares.

In 2014, the company transferred capital reserve into capital stock at ratio of 10 to 5. After the transfer, the total capital stock was 3,064,371,033 shares.

In 2015, the company transferred capital reserve into capital stock at ratio of 10 to 10. After the transfer, the total capital stock was 6,128,742,066 shares. In July 2015, the company disclosed 《Inner Mongolia Yili Industrial Group Co., Ltd.'s report on repurchasing part of social shares through a centralized bidding transaction》. The total number of repurchased shares was 63,941,958 shares, and the total share capital after repurchase was 6,064,800,108 shares.

In 2016, the company's second extraordinary general meeting of shareholders examined and approved the 《Proposal on <Stock Options and Restricted Stock Incentive Plan (Draft)> and Abstracts》, and granted 45 million stock options and 15 million restricted shares to the incentive objects. In February 2017, the company issued 14,200,000 restricted shares and the total capital stock was 6,079,000,108 shares.

In September 2017, the company's first extraordinary general meeting of shareholders reviewed and approved the “Proposal on Cancellation of Partial Stock Options and Repurchase of Cancelled and Partially Restricted Stocks by the Company”. In November 2017, the company repurchased and cancelled 507,500 shares of restricted stocks. The total capital stock was changed to

6,078,492,608 shares.

(ii). Main Business Activities

Business scope: manufacturing of dairy products (including infant formula milk powder); production and sales of formula foods for special medical purposes (operating after obtaining license); food and beverage processing; livestock and poultry breeding; transportation of automobile goods; food service (collective canteens only); dairy products, food, beverages produced by the company; dairy products and dairy products raw materials; sales of pre-packaged foods. Agricultural and livestock products and feed processing, distribution of food and beverage processing equipment, production and sales of packaging materials and packaging supplies, hardware tools, chemical products (except franchise), agricultural and side-line products, daily necessities, livestock and poultry products, feed; import: the production of this enterprise, raw and auxiliary materials required for scientific research, machinery and equipment, instrumentation and spare parts; export operations of the company's own products and related technologies; machinery equipment repair services (except franchise) and equipment spare parts sales (except franchise); toys Production and sales; manufacturing and sales of compound food.

This financial statement was approved by the Board of Directors of the company on April 25, 2018.

II. Entities included in the consolidation scope

There are 75 entities included in the consolidation scope, including:

Name of Subsidiary	Type of Subsidiary	Layer	Capital shareholdings by Yili (%)	Voting Power (%)
Baotou Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Duerbote Yili Dairy Co., Ltd.	Holding subsidiary	Secondary	89.38	89.38
Langfang Yili Dairy Products Co., Ltd.	Holding subsidiary	Secondary	75.00	75.00
Inner Mongolia lingxian Food Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia Qingshan Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Tianjin Yili Kangye Industry Frozen Food Co., Ltd.	Holding subsidiary	Secondary	55.00	55.00
Inner Mongolia Yili Fubeier Dairy Products Co., Ltd.	Holding subsidiary	Secondary	74.51	74.51
Daqing Yili Dairy Co., Ltd.	Holding subsidiary	Secondary	74.81	74.81
Zalantun Yili Dairy Co., Ltd.	Holding subsidiary	Secondary	57.48	57.48
Zhaodong Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia Yili Enterprise Development Co., LTD	Wholly owned subsidiary	Secondary	100.00	100.00
Xi ' an Yili Taipu Drink Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Shuozhou Yili Dairy Co., Ltd.	Holding subsidiary	Secondary	60.00	60.00
Lindian Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Qiqihar Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Chifeng Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Anda Yili Dairy Co., Ltd.	Holding subsidiary	Secondary	55.00	55.00
Dingzhou Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Yili Suzhou Dairy Co., Ltd	Wholly owned subsidiary	Secondary	100.00	100.00
Jinan Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia Jinchuan Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia Jinshan Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Foshan Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Hefei Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Liaoning Yili Dairy Co., Ltd.	Holding subsidiary	Secondary	70.00	70.00
Hubei Huanggang Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia ShengTai Investment Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Chengdu Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Urumqi Yili Food Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Henan Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Fuxin Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00



Name of Subsidiary	Type of Subsidiary	Layer	Capital shareholdings by Yili (%)	Voting Power (%)
Duolun Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia Jinhai Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Xilin Hot Yili Dairy Products Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Luanxian Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Lanzhou Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Duerbote Jinshan Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Yili International Development Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Tianjin Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Shanxi Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Bayan Nur Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Zhejiang Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Tianjin Yili Dairy Products Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Fuxin Yili Dairy Products Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Weifang Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Ningxia Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Heilongjiang Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Changji Sheng Xin Industrial Co., Ltd.	Subsidiary of wholly owned subsidiary	Tertiary	95.00	95.00
Hulun Buir Xianglong Mining Energy Co., Ltd.	Subsidiary of wholly owned subsidiary	Tertiary	100.00	100.00
Xiwuqi Tai Qin Water Co., Ltd.	Subsidiary of wholly owned subsidiary	Tertiary	90.00	90.00
Zhangbei Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Guangdong Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Xianyang Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
HongKong Gold Port Commercial Holding Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Jiyuan Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Guangxi Yili Frozen Food Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia Jinderui Trade Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Yunnan Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Meizhou Yili Frozen Food Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Changchun Yili Frozen Food Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Longyou Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Jinzhong Yili Dairy Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia Technology Research Institute Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
SILVER HARBOR LLC.	Subsidiary of wholly owned subsidiary	Tertiary	100.00	100.00
Yili Innovation Center Europe B.V.	Subsidiary of wholly owned subsidiary	Tertiary	100.00	100.00
Yili Finance Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia Huishang Finance Guarantee Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Shanghai Yili Aibei Food Co., Ltd.	Subsidiary of wholly owned subsidiary	Tertiary	75.00	75.00
Oceania Dairy Limited	Subsidiary of wholly owned subsidiary	Tertiary	100.00	100.00
PT. Green Asia Food Indonesia	Subsidiary of wholly owned subsidiary	Tertiary	100.00	100.00
Huishang Commercial Factoring Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Lizhimei (Shanghai) investment Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Shenyang Yili Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia Yili Management Consulting Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00
Inner Mongolia HuiShang Internet micro-loan Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00

Compared with previous financial period, two subsidiaries have been added to the consolidation scope as:

1. New entities added in the scope of consolidation as subsidiaries, entities with special purpose or achieved control by a lease or entrust.

Name	Reason of Change
Inner Mongolia Yili Management Consulting Co., Ltd.	New establishment
Inner Mongolia HuiShang Internet micro-loan Co., Ltd.	New establishment

2. There are no subsidiaries, entities with special purpose or achieved control by a lease or entrust no longer in the scope of consolidation due to loss of control in the period.

Please see detail information of any change of entities within the scope of the consolidation in Note VII. Change of Consolidation Scope

III. Basis of Financial Statement Preparations

(i). Basis of financial statement preparation

The group's financial statements are prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations and applications (herein after collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS") based on the group's transactions and events. Also, combined with the disclosure requirements in the <Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 - General Rules on Financial Reporting> issued by the China Securities Regulatory Commission, the financial statements are prepared.

(ii). Going concern

The group has evaluated the going concern ability with duration of 12 months since the end of the reporting period, and has not identified any significant matters that impair such ability. Therefore, the financial statements are prepared on a going concern basis.

IV. Summary of significant accounting policies and accounting estimates

Specific accounting policy and estimates:

The Company has specified the accounting policy and estimates according to the nature of the operations. The major specifications were PPE depreciation (Note IV. 15) and Revenue recognition (Note IV. 25).

(i). Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company are in compliance with the Accounting Standards for Business Enterprises, and present the financial position, operating performance, cash flows, change of equity and other information of the Company comply both truth and completeness aspect.

(ii). Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(iii). Operating cycle

The company operates 12 months as an operating cycle.

(iv). Functional currency

The functional currency of the company is Chinese RMB "Renminbi" ("RMB").

(v). Business combinations

1. If a business combination was achieved with multiple transactions, and the terms of contract with these transactions fulfil at least

one of below conditions, these multiple transactions can be recognized as a package deal.

- (1) the design of these transactions has considered the mutual effect of others;
- (2) these transactions could achieve a complete business action as a whole;
- (3) one of these transaction is triggered by the fulfilment of at least one of other transaction(s);
- (4) single transaction is not economical when it is viewed alone, but it would be economical if considered with other transactions as a whole.

2. Business combinations involving enterprises under common control

Assets and liabilities that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

As for the balance between the carrying amount of the accrued liability or assets obtained by the combining party and the carrying amount of the consideration paid by it, the additional paid-in capital (capital premium) shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

For a business combination realized by two or more transactions of exchange and it is considered as one-basket transactions, it should be consider as the same transaction under the same control; for the transactions don't in the same basket, on the date of getting control, the difference between the beginning of investment equity and the book value of long-term investment equity before consolidated plus the book value of additional consideration at the consolidate date, it shall adjust the capital reserve; If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. For the investment equity hold before the consolidation date, the other consolidated income, which uses the equity method, recognition and measurement financial instrument, it shall not conduct accounting treatment, until disposal of investment uses the same accounting treatment with the disposal of related assets and liabilities in the invested corporations; The changes of equity shall not conduct any accounting treatment except net profit and loss, other consolidated income and profit sharing in the invested corporation by using equity method, until disposal of the investment and record it to the current profit and loss.

3. Business combinations not under common control

The acquisition date, which is the date that obtains control of the acquiree, is the date on which the acquirer obtains the acquiree's net asset or operating decision transfer to acquirer. Thus, an investor controls an investee if and only if the investor has all the following:

- ① Enterprise merger contract or agreement has been approved by the internal authority of the company
- ② Enterprise merger matters need to be approved by the relevant competent authorities of the State
- ③ The necessary transfer of property rights has been processed
- ④ The company has paid the most of the combined price and has the ability and plan to pay the remained
- ⑤ The company has in fact controlled the buyer's financial and business policies, and enjoy the corresponding benefits, bear the corresponding risks

The amount of assets, occurrences or liabilities incurred by the company in the merger of the enterprise, measured at fair value, the difference between the fair value and the book value is included in the current profit and loss.

The company shall recognize the difference between the cost of merging and the fair value of the net assets of the purchased party in the merger as goodwill; The combined cost is less than the difference of the fair value of the identifiable net assets of the purchased party acquired in the merger, and after review, it shall be measured into the current profit and loss.

The merger of enterprises under the control of multiple exchange transactions, which belongs to the one basket transaction, is treated as a transaction which obtains the control right; for transaction not in one basket, if it is measured in equity method for investment prior to consolidation date, the sum of book value of investment in subsidiary prior to the purchase date and additional investment at the date of purchase, shall be measured at initial investment cost; other comprehensive benefits identified by equity investment prior to purchase date due to the use of equity method, when disposing of the investment, use the same basis to deal with the assets or liabilities directly disposed of by the invested unit for accounting treatment. The equity investment held prior to the merger date shall be based on the recognition and measurement criteria of financial instruments, and the fair value of equity investment combined with the sum of the new investment cost in the combined day as the initial investment cost of the merged day. The difference between the fair value of the original holding stock and the book value and the cumulative fair value of the original account in the other comprehensive income should all be transferred to the Investment profit in the current period of the combined date.

4. Expenses related to combination

All expenses, which include the fee for auditing, legal services, assessment, broker and other related general administrative fees, shall be recorded into the profits and losses at the current period; transaction used by the company as issue equity security, shall be deducted directly from equity.

(vi). Preparation of consolidated financial statements

1. Consolidation scope

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries (including individual entities controlled by the company).

2. Consolidation procedure

The company prepares the consolidated financial statement based on individual financial statement of the company and each subsidiary. The company treats the entire enterprise group as a single accounting entity and prepares consolidated financial statement with related accounting standard regarding to all aspect, reflecting the group's financial position, operating result and cash flow.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the company.

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. If any conflict between the company and its subsidiaries regarding to recognition of intra-group balances, transactions and (or) unrealized profit, the consolidated statement shall be adjusted in accordance with the company's recognition.

The portion of subsidiaries' equity and the portion of a subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to company are recognized as minority interests and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. If losses exceed a subsidiaries' minority shareholders' beginning balance in equity, the losses will be treated as an reduction of minority interest.

For a subsidiary acquired under common control, the assets and liabilities (including the goodwill generated when the subsidiary was firstly acquired by the ultimate holding company) should be measured on its carrying value.

For a subsidiary acquired under different control, it should be adjusted based on the net identifiable value at the acquiring date.

(1) Increasing subsidiaries or transactions

During the reporting period, if a subsidiary or business is added due to a business combination under the same control, the Beginning balance of the consolidated balance sheet is adjusted; income, expenses, and profits from the beginning of the current period of the subsidiary or business combination to the end of the reporting period are included in the consolidated income statement. The cash flow from the beginning of the current period of the subsidiary or business combination to the end of the reporting period shall be included in the consolidated cash flow statement, and the related items of the comparative report shall be adjusted at the same time. It shall be deemed that the combined report subject has been in existence since the final controlling party began to control.

If it is possible to control the investee under the same control due to additional investment or other reasons, the parties involved in the merger shall be adjusted in the current state when the ultimate controlling party begins to control. The equity investment held prior to the acquisition of the controlling power of the merged party has recognized the profit and loss and other comprehensive income from the date of the day when the original equity was acquired and the merger and the merged party are in the same control. And other changes in net assets, respectively, offsetting the retained earnings at the beginning of the period of the comparative statements or current profits and losses.

For increasing subsidiaries or transactions during the report period, it shall not adjust consolidated balance sheet beginning; the subsidiaries or business from the date of purchase until the end of the revenue, expense, profit are added into profit statement; the subsidiaries or business from the date of purchase until the end of the cash flows are included in the consolidated cash flow statement. If it is possible to control the investee under different control due to additional investment, etc., for the equity of the purchased party held before the purchase date, the company will re-measure the fair value of the equity at the acquisition date, and the fair value of the difference in book value is included in current Investment profit. The equity of the purchased party held before the acquisition date involved with other comprehensive income under the equity method of accounting and other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, and other comprehensive income and other related shall be converted into current Investment profit on the purchase date, except for other comprehensive income arising from changes in the net liabilities or net assets of the investee that remeasures the defined benefit plan.



(2) Disposal of subsidiary or transactions

1. General method

During the reporting period, if the company disposes of a subsidiary or business, the income, expenses, and profits of the subsidiary or the beginning of the business period on the date of disposal are included in the consolidated income statement; the cash flow from the beginning of the subsidiary or the beginning of business to the disposal date is included in the consolidated cash flow reports.

If the company lose control of a subsidiary due to disposal of share or other reasons, it will recognize any investment retained in the former subsidiary at its fair value at the date when control is lost in the consolidated financial statements. The company recognizes the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost, and derecognizes the assets and liabilities of the subsidiary at their carrying amounts since acquisition date, any resulting difference is recorded as a gain or loss attributable to the parent in the period of losing control. Previously recognized other comprehensive income or change of equity other than net gain or loss, other comprehensive income or profit allocation, it would be reclassified to profit or loss in the period of losing control, except the revenue caused by investor change the benefit plan of net liability or net assets.

2. Disposal Subsidiaries by steps

For transactions disposal by several times until the company loses the control of the subsidiaries, the clauses, conditions and economic affect applicable to the following situations regard as one basket transaction:

- a. The deals are established by considering the impact on each company simultaneously
- b. These transactions are as a whole in order to achieve a complete business results
- c. The deal could occur depending on the occurrence of at least one transaction
- d. Without considering the other transactions, the deal by itself cannot be treat as economic

Disposal of equity investments in subsidiaries until the loss of control of each transaction is a package deal, the company will treat each transaction as a disposal of the subsidiary and lose control of the transaction accounting; However, before each loss of control the difference between the disposal price and the portion of the subsidiary's net assets that corresponds to the disposal investment is recognized as other comprehensive income in the consolidated financial statements. When the control right is lost, it is transferred to the profit or loss of the current period in which control is lost.

If the disposal of the equity investment in the subsidiary until the loss of control does not belong to a package transaction, before the loss of control, the relevant policies on the partial disposal of the equity investment in the subsidiary shall be accounted for under the condition of not losing control; In the event of loss of control, the company will perform accounting treatment in accordance with the general approach to disposal of subsidiaries.

3) Purchase minority interest of subsidiary

As for the balance between the new obtained investment amount and the additional holding percentage of the net assets at the purchase date, the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

4) Disposal of subsidiary investment without losing control of subsidiary
At the condition of without losing control of subsidiary, as for the balance between the new obtained investment amount and the additional holding percentage of the net assets at the purchase date, the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

(vii). The Classification of Joint Arrangements and Accounting Treatment for Joint Operation

1. The classification of Joint Arrangements

The company determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. Joint arrangements are either classified as joint operations or joint ventures.

A joint arrangement that is not structured through a separate entity is a joint vehicle; a joint arrangement that is structured through a separate vehicle is usually considered as a joint venture. If any solid evidences meet the following criteria and related law requirements, it can be classified as a joint operation:

- (1) Each joint operator accounts for its share of the joint asset and its agreed share of any liabilities in accordance with the legal form of joint arrangement; or
- (2) Each joint operator accounts for its share of the joint asset and its agreed share of any liabilities in accordance with the contractual arrangement; or

(3) Other facts show when the parties accounts for its share of the joint asset and its agreed share of any liabilities, such as the only source of cash flows contributing to the continuity of the operations of the arrangement, which indicates that the parties have an obligation for the liabilities relating to the arrangement.

2. The accounting treatment of Joint Operation

The company recognizes in relation to its interest in a joint operation and accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant accounting standards:

- (1) its assets, including its share of any assets held jointly;
- (2) its liabilities, including its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output of the joint operation;
- (4) its share of the revenue from the sale of the output by the joint operation; and
- (5) its expenses, including its share of any expenses incurred jointly.

When the company enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, it is conducting the transaction with the other parties to the joint operation and, as such, the company recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When such transactions provide evidence of a reduction in the net realizable value of the assets to be sold or contributed to the joint operation, or of an impairment loss of those assets which meet "Accounting Standards for Enterprise No.8 Impairment of Assets", those losses shall be recognized fully by the company.

When the company enters into a transaction with a joint operation in which it is a joint operator, such as a purchase of assets, it is conducting the transaction with the other parties to the joint operation and, as such, the company recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When such transactions provide evidence of a reduction in the net realizable value of the assets to be purchased, or of an impairment loss of those assets which meet "Accounting Standards for Enterprise No.8 Impairment of Assets", those losses shall be recognized fully by the company.

The company is not in joint control for joint operation, if the company shares the joint asset or obligation for the liabilities, same accounting treatment taken as above, or the company will recognize according to other related accounting standards.

(viii). Cash and cash equivalents

Cash refers to all cash on hand and deposit held at banks and cash equivalents refer to short-term (within three months from the due date), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(ix). Foreign currency transactions and translation of financial statements denominated in foreign currency

1. Reporting for foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in RMB, by applying to the foreign currency amount the spot exchange rate between the RMB and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rate, exchange differences arising on the settlement of monetary items recognized in profit or loss in current period, except that foreign currency borrowings for purchase and construction or production of qualified assets are capitalized. Non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction that resulted in their recognition.

Non-monetary items that are measured at fair value in a foreign currency is translated using the exchange rates at the date when the fair value was determined, and exchange differences arising on the settlement of non-monetary items shall be recognized in profit or loss in current period. If the non-monetary items belong to available-for-sale investments, the related exchange differences shall be recognized in other comprehensive income.

2. Translation of foreign currency financial statements

Assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position; income and expenses for each statement of comprehensive income or separate income statement presented shall be translated at exchange rates at the dates of the transactions; and all resulting exchange differences shall be recognized in other comprehensive income.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation,



recognized in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss. For disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

(x). Financial instruments

Financial instruments include financial asset, financial liability or equity instrument.

1. Classification of financial instruments

Management classifies financial instruments into different categories at initial recognition depending on the intention and ability to hold assets or undertakes debts: financial assets and financial liabilities at fair value through profit or loss, including financial assets and financial liabilities held for trading (financial assets and liabilities designated at fair value through profit or loss are included); held-to-maturity investments; loans and receivables; available-for-sale financial assets and other financial liabilities, considered the object due to its fact over forms.

2. Recognition and measurement of financial instruments

(1) Financial assets (liabilities) at fair value through profit or loss

The financial assets (financial liabilities) which are measured at their fair values and the variation of which is recognized in profit or loss in current period, including the financial assets (financial liabilities) held for trading or directly designated as measured at fair values and the variation of which is recognized in profit or loss in current period.

The financial assets (financial liabilities) can be recognized as held for trading when meeting one of the following conditions:

1. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
2. On initial recognition, which is part of a portfolio of identified financial instruments and managed together, for which there is evidence of a recent actual pattern of short-term profit-taking;
3. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, derivatives that are linked to the investment of an equity tool that has not been quoted in the active market and whose fair value cannot be reliably measured and which are to be settled by delivery of the equity tool.

A financial asset (financial liability) could be designated as at fair value and the variation of which is recognized through profit or loss when meeting one of the following conditions.

1. The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise for the financial liabilities or financial assets;
2. A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally to the entity's key management personnel;
3. A contract contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear separation of the embedded derivative(s) is prohibited;
4. A hybrid tool that contains embedded derivatives that need to be split but cannot be measured separately at or following the balance sheet date.

When a financial liability is recognized initially, the company shall measure it at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. In the holding period, any interest or cash dividend received to be recognized as profit and variation of fair value at the end of reporting period will be recognized as profit or loss in current period. At disposal, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognized as Investment profit, and the profit and losses on the changes in fair value are adjusted.

(2) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The company classifies the receivables accrued from goods sales and service provided (debt instrument with a fair value in active market not included) into accounts receivable and other receivables, recognized at the contract amount; receivables with a finance nature recognized at present value.

As the receivables are collected or disposed, the difference between the recoverable amount and the carrying amount will be recorded as gain or loss for the period.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity.

The company recognizes the held-to-maturity investments' initial value at the historical fair value (exclude interest due but not received) and the sum of related transaction fees. Using the effective interest rate carried at amortized cost subsequently, a gain or loss is recognized in profit or loss for the period. The effective interest rate is recognized at the date of acquire and will remain the same with in the expected duration of hold or a reasonable duration no longer than it. When held-to-maturity investments are de-recognized, impaired or amortized.

If, as a result of a change in intention or ability, item no longer appropriate to classify an investment as held to maturity, the investment shall be reclassified as available for sale and re-measured at fair value. Whenever sales or re-classification of a significant amount of held-to-maturity investments the difference between its carrying amount and fair value at the date of reclassification shall be recognized as other comprehensive income, and record as profit or loss at the time the assets impaired or terminated. However, there are exceptions as follow:

1. date of sale or re-classification close to the date of maturity (such as three months prior the maturity), and the change of market rate does not affect the assets' fair value in notable level.
2. the company has collected almost entire initial investment according the compensation terms in the contract.
3. the action of sale or the reclassification was a result of individual event that uncontrollable, not expected to be repeat and difficult to predict.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in initial recognition as available-for sale or those financial assets that are not classified as other financial assets.

Available-for-sale financial assets are subsequently measured at fair value along with the sum of related expenses. Any interest income or cash dividend during the holding would recognize as investment gain. A gain or loss arising from a change in the fair value shall be recognized directly in capital reserve as other comprehensive income, except the impairment losses and foreign exchange gains and losses that related to amortized cost and resulted from monetary financial assets are recognized as other comprehensive income. At the disposal of available-for-sale financial assets, the difference between amount collected and the carrying value, as well as the cumulative other comprehensive income rise by the assets' change of fair value, would be recognized as investment gain or loss.

Available-for-sale financial assets whose fair value cannot be measured reliably are measured at cost or amortised cost.

(5) Other financial liabilities

Initial cost recognized by the fair value and related expenses, subsequent measurement comply cost after amortisation.

3. The recognition and measurement of a financial asset transfer

If the company determines that as a result of the transfer, it has transferred substantially all the risks and rewards of ownership of the transferred asset, it does not recognize the transferred asset again in a future period; if substantially all the risks and rewards of ownership have been retained, the company should not recognize the financial assets. When judging if the transferred asset should be recognized, principle of substance-over-form should be used.

The company classifies the financial asset transfer as entirely transferred and partially transferred.

On de-recognition of a financial asset in its entirety, the difference between the following two amounts is recognized in profit or loss:

- (1) the carrying amount of the transferred financial assets;
- (2) the sum of consideration received and the cumulative change of fair value (including any new asset obtained less any new liability assumed).

If the transferred asset is part of a larger financial asset and the part transferred qualifies for de-recognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is recognized, based on the relative fair values of those parts on the date of the transfer. The difference between the following two items is recognized in profit or loss:

- (1) the carrying amount (measured at the date of de-recognition) allocated to the part de-recognized;
- (2) the consideration received for the part de-recognized (including any new asset obtained less any new liability assumed).

If a transfer does not result in de-recognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity shall continue to recognize the transferred asset in its entirety and shall recognize a financial liability



for the consideration received.

4.The de-recognition of a financial liability

The company removes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

If an entity repurchases a part of a financial liability, the entity shall allocate the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is de-recognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part de-recognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part de-recognized shall be recognized in profit or loss.

5.The fair value measurements of financial asset and liabilities

The company can use the quoted price in an active market for financial asset and liability measured at their fair value; quoted price in an active market includes source from the board and instrument manager or market transactions with high frequencies.

The initial acquisition or origination price of a financial asset or incurrence of a financial liability is a market transaction that provides a foundation for estimating the fair value of the financial instrument.

If the market for a financial asset or liability is not active, the company establishes fair value by using a valuation technique include using recent arm's length market transactions between knowledgeable and willing parties, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

6.Impairment of financial assets (excluding account receivables)

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the company shall determine the amount of any impairment loss.

Objective evidence that a financial asset or group of assets is impaired includes but not limited to the following:

- (1)significant financial difficulty of the issuer or obligator;
- (2)a breach of contract, such as a default or delinquency in interest or principal payments;
- (3)the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (4)it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (5)the disappearance of an active market for that financial asset because of financial difficulties;
- (6)observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area or adverse changes in industry conditions that affect the borrowers in the company.
- (7)there are significant adverse changes in technology, market, economy or regulation for the issuer of equity instrument, and it becoming probable that the equity instrument investor will not be refunded;
- (8)Fair value of the equity instrument decreases seriously on non-temporarily.

Impairment of financial assets:

(1)Impairment of available-for-sale financial assets

The company will assess at the end of each reporting period whether there is any objective evidence that available-for-sale financial assets measured at amortized cost is impaired. If the fair value of equity instrument at the reporting date is lower than 50% (including 50%) of the carrying amount or has been lower than the cost more than one year (including one year), impairment is made; if fair value of the equity instrument at the reporting date is lower than 20% (including 20%) of the carrying amount but not lower than 50% of the cost, the company will consider about other related factors if impairment should be made for the equity instrument.

The "cost" mentioned in the preceding paragraph shall be deducted from the initial acquisition cost of the funds available for the sale of equity to deduct the amount of the recovered principal and the amortized amounts, the impairment losses that have been credited to the profit and loss are determined; there is no fair value for the investment of the instruments available for sale in an active market, and the present value of the future cash flow is determined according to the current market yield of similar financial assets. The fair value of an investment in an active market that is available for sale may be determined according to the closing price of the stock exchange, unless there is a restricted period for investment in the instrument for the sale of equity. In the case of an investment in an instrument for sale with a restricted period, the final closing price of the stock exchange shall be deducted from the amount of compensation required by the market participant for the risk of not being able to sell the equity tool in the open market within the specified period.

When available-for-sale financial assets are impaired, the cumulative losses resulted from the decline in fair value which had previously been recognized directly in other comprehensive income, and shall be removed from owner's equity and recognized in profit or loss for the current period. The loss due to the treatment equals to the initial cost of at the acquire deduct amount already collected, amortised, current fair value and the impairment that already been recorded as impairment loss.

If, after an impairment loss has been recognized on an available-for-sale equity instrument, the fair value of the equity instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss can be reversed, with the reversal recognized as other comprehensive income. If, after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss can be reversed, with the reversal recognized in profit of loss. However, for equity instrument that has no quotation value in active market and the fair value could not be properly measured, or the derivative financial assets linked to and settle through the equity instrument has sign of impairment, the loss shall not be reverse.

(2)Impairment of held-to-maturity investments

If a financial asset carried at amortized cost or it is impaired, the carrying amount of the financial asset shall be reduced to the present value of estimated future cash flows. The amount of reduction shall be recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on a financial asset, there is objective evidence of a reversal of impairment loss of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the impairment shall be reserved and recognized in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reserved.

7.The offset of financial assets and financial liabilities

Financial asset and liability are present separately in balance sheet, and can only offset and present in net amount reported in balance sheet when both of the following conditions are satisfied:

- (1)the company has a legal right to set off the recognized amounts and the legal right is currently enforceable;
- (2)the company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

(xi). Receivables

1.Allowance for bad debts of receivables that are individually significant and individual impairment assessment

The standard of individual significant item and individual provision for account receivables Individual account receivables above 10% of the outstanding balance.

Bad debt provision for individual significant item in receivables On the balance sheet date, an impairment inspection by The Company on the carrying amount of accounts receivable, other account receivable identify where there is any objective evidence proving that wither such receivables has been impaired. Should there be enough evidence for such impairment; an impairment provision would be made based on difference between the present value of future cash flow in and the carrying amount. If an item does not show sign of impairment in the inspection but shares the credit risk with other method, an extra inspection with this method shall be executed.



2.Bad debts accrued on groups for account receivables

(1)Similar credit risk characteristics for Combination

Combination type	Accruing Method	Basis of Combination
Combination 1	Percentage accruing	Subsidiaries related receivables
Combination 2	Percentage accruing	Loan to the care takers
Combination 3	Percentage accruing	Cow found to care takers
Combination 4	Percentage accruing	Other related parties including joint venture, etc.

(2)The accrual percentage of bad debts based on the credit risk characteristics

Combination	Percentage (%) of Account Receivable	Percentage (%) of Other Receivable
Combination 1	0.00	0.00
Combination 2	8.00	8.00
Combination 3		75.86
Combination 4		100.00

3.Receivables that are not individually significant but are individually evaluated for impairment

Reason for individual evaluation without significant balance	Objective evidence shows the company will not be able to collect the account receivable .Impairment of the receivable is established at the difference between the carrying amount of the recoverable shall be recognized as impairment loss through profit and loss account for the period.	
Accruing Method	Recognized individually	

(xii). Inventory

1.The classification of inventory

Inventories comprise raw material, work in process, semi-finished goods, revolving material, finished goods, merchandise inventory and consumable biological assets.

2.The valuation of inventory

Inventory is initially carried at the actual cost. Inventory costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Weighted average method is assigned to the determination of actual costs of inventories.

3.The net realizable value of inventory and impairment provision

At the balance sheet date, the inventories shall be measured at lower of cost and net realisable value. If the cost of inventories is higher than the net realizable value, then a provision for decline in value of inventories shall be recognized. Provision for decline in the value of inventories is measured as the excess of the carrying value of the inventories over their net realizable value. The Group makes impairment loss of inventories on individual basis. The net realizable value of finished goods, merchandise inventory and material for sale are determined as the estimated sales price deduct estimated sales expense and taxation; the net realizable value of raw material and revolving material determined as the estimated sales price of these material were intended to produce deduct estimated sales expense and taxation; The net realizable value of inventory holds for fulfilling a sales or service contract determined as the contract price. Should the inventory hold for such contract are greater than the arrangement, the part that exceeded shall recognized at sales price in general.

At the balancing date, for inventory with large quantity and retentively lower unit price, impairment provision shall be accruing as categories; inventories shall be accruing impairment provision as combined if they were produced and sales in same region, with same or similar functions and have difficulty to measure separately.

Impairment provisions have previously accrued can be reverse if the factor of impairment to the inventory has removed. The reversed amount transfer back from the provision and gain or loss upon the transfer shall be recorded in profit and loss account for the period.

4.Inventory system

The company uses perpetual inventory system.

5.The amortization of low value consumables and packaging materials

- (1)The company uses one-off amortization method for low value consumables;
- (2)The company uses one-off amortization method for packaging materials.

(xiii). Held for sale

1.Standards for classified as held-for-sale assets

Non-current assets or disposal groups that meet the following conditions are recognized as holding components for sale:

- (1)The asset can be sold immediately when the practice of selling such assets or disposal groups under a similar transaction.
- (2)A sale is highly likely to occur, that is, a decision has been taken on a sale plan and has been approved by the regulatory Authority (if applicable) and a confirmed purchase commitment is expected to be completed within one year.

A defined purchase commitment is a legally binding purchase agreement with other parties that contains important terms such as the price of a transaction, time, and severe penalties for breach of contract, so that the likelihood of a major adjustment or revocation of the agreement is minimal.

2.Measurement for held for sale

For non-current assets or disposal groups held for sale, excluding depreciation or amortization, whose carrying amount is higher than the net value of the fair value minus the sale cost, the book value shall be deducted to the net amount of the fair value minus the sale value, and the amount deducted is recognized as impairment loss of the asset, which is included in the current profit and loss, and record provisions for impairment of the assets held to be sold.

In the case of a non-current asset or disposal group which is classified as holding for sale, the initial measurement is assumed not to be divided into the amount of the initial measurement and the fair value minus the sale cost of the class in question, and the lower of both.

These principles apply to all non-current assets, but do not include deferred income tax assets, financial assets that are regulated by financial instruments related accounting standards.

(xiv). Long-term Investment on Equity

1.Measurement of investment cost

(1)For long term investment on equity through business combination, please refer to Main Accounting Policies and Accounting Estimates IV/V: Accounting treatment for the merger under the same control and different control

(2)Long-term investment on equity obtained through other methods

For long-term investment on equity obtained through cash payment, the actual payment is recognized as initial investment cost. Initial investment costs include fees, taxes and other necessary expenses that are directly related to the acquisition of long-term equity investments.

For long-term investment on equity obtained through issuing equity security, the fair value of equity security is recognized as initial investment cost. The transaction costs incurred in issuing or acquiring their own equity instruments may be directly attributable to the deduction of the equity transaction.

Under the premise of the exchanged of non-monetary assets has commercial substance or the fair value of the assets can be reliably measured, initial long-term equity investment cost is based on assets exchanged out, unless there is conclusive evidence that the fair value of the assets exchanged in is more reliable; For the exchange of non-monetary assets that do not meet the premise above, the company recognize the book value of exchanged out assets and related tax expense as the initial investment cost.

For long-term investment on equity obtained through debt restructuring, the fair value of investment is recognized as initial investment cost.

2.Subsequent measurement and recognition of profit or loss

(1)Cost method

The company can use cost method to measure the company controlled by long-term equity investment, and in accordance with the initial cost of investment, to add or recover the investment adjustment of long-term equity investment costs.

In addition to the actual payment of the purchase price or the declared but unpaid cash dividend or profit included in the price, the company is recognized as the current Investment profit in accordance with the cash dividends or profits declared by the investment unit.



(2)Equity method

If the company has either joint control or significant influence over an investee, the equity method is used. For some of them through the venture capital institutions, mutual funds, trust companies or other similar subjects, including investment and risk funds, the equity investment of the joint venture, using fair value measurement and its change into profit and loss.

Under the equity method, if the cost of the investment is more than the investor's share of the net fair value of associate's identifiable assets and liabilities, the initial investment cost is not adjusted; if the cost of the investment is less than the investor's share of the net fair value of investee's identifiable assets and liabilities, the difference is recognized in the profit or loss of the company.

After the company acquired long-term equity investment, in accordance with the share of net gains and losses and other comprehensive gains realized by the investee which shall be or should be shared, respectively, the Investment profit and other comprehensive income are recognized, while the carrying amount of the long-term equity investment is adjusted, and the portion to be enjoyed in accordance with the profit or cash dividend declared by the investee unit to reduce the book value of long-term equity investment, and to adjust the carrying value of long-term equity investment and to account for the owner's equity in other changes in the owner's equity other than net profit and loss, other comprehensive income and profit distribution of the investee.

Under the equity method, the investor's share of the profit or loss of the investee is based on net fair value of investee's identifiable assets and liabilities, measurement after adjusting investee's net income; the company and the joint venture shall have the right to offset the part of the company in the unrealized internal transaction profit and loss in accordance with the proportion of shares, according to the recognition of the investment.

When the company should allocate the loss from investee, the following procedures are processed: Firstly, decrease the book value of long-term investment; secondly, if the book value of long-term investment on equity is not enough for the loss, deduct the book value of long-term receivable items; At last, if extra obligation still exists according to the contract or agreement, the company will recognize contingent liabilities and investment loss.

If the investee has been profitable in subsequent periods, the company deducts the recognized share of loss, and follows procedures adversely as above situation; deduct the book value of contingent liabilities, recover the book value of long-term investment made to the investee and recognize Investment profit simultaneously.

3.Transformation of long-term investment on equity measurement

(1)Fair value method transfer to equity method

Recognition and measurement of financial instrument of equity investment which held by the company, that no any control, joint control and significant influence, follow the accounting standard; investor has no control, but do has joint control and significant influence to the investee by adding additional fund, follow Enterprise Accounting Standard NO.22-Recognition and Measurement of Financial Instrument to ensure the final value of combination between fair value of original long-term investment and additional investment cost, the new value regard as the original investment cost by equity method.

The original holdings of equity investment which classified as available for sale of financial assets, the difference between the fair value and the book value, as well as the cumulative fair value change which is counted into the other comprehensive income, should be recorded in the current profit and loss by using equity method.

If the initial investment cost under equity method is lower than the updated proportion of ownership interest in net fair value of investee's identifiable assets and liabilities after additional investment, the company will adjust book value of long-term equity investment and the amount is recorded in non-operating income.

(2)Fair value method or equity method transfer to cost method

If the company has no joint control or significant influence over the invested entity, If the company increase long-term equity investment to an associate or joint venture and is able to control the investee, the cost method shall be employed in the measurement, and investment cost is measured by sum of initial investment book value and additional investment.

Other comprehensive income recognized due to long-term equity investment under equity method before purchase date, the accounting treatment for disposal of the investment is same as disposal of related assets or liabilities.

Long-term equity investment held before purchase date is measured as <Accounting Standards for Enterprise No.22 Measurement and Recognition of Financial Instrument>, the cumulative variation of fair value which was recognized in other comprehensive income are shifted into profit or loss in current period when using cost method.

(3)Equity method transfer to Fair value method

The company loses the joint control and significant influence over the invested entity any more as a result of the dispose part of equity, the rest of equity follow the rules of "Enterprise Accounting Standard NO.22-Recognition and Measurement of Financial

Instrument to measure", the difference between fair value and book value account into current equity when the company lose the joint control and significant influence.

The other comprehensive income that is confirmed under the equity method should account under the same basis as the direct disposal of the relevant assets or liabilities by the investment entity at the termination of the use of equity method.

(4)Cost method transfer to equity method

The company loses the control over the invested entity any more as a result of the dispose part of equity investment, during the editing period, the residual equity after the disposal has the joint control and significant influence over the invested entity, would transfer to equity method; the residual equity would be regard as equity method since the beginning.

(5)Cost method transfer to fair value method

The company loses the control over the invested entity any more as a result of the dispose part of equity investment, during the preparing individual financial statement period, the residual equity after the disposal does not have the joint control and significant influence over the invested entity, following the standard of "Enterprise Accounting Standard NO.22-Recognition and Measurement of Financial Instrument to measure", the difference between fair value and book value account into equity value since the day of loss control.

4.Disposal of long term investment

Disposal of long term investment, the variance between the book value and actual consideration received shall be recognized in profit and loss. For the long term investment using equity method, if disposal that investment, the Company shall account for all amounts recognized in other comprehensive income in relation to that invested entity on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

A parent might lose control of a subsidiary in two or more arrangements (transactions). However, sometimes circumstances indicate that the multiple arrangements should be accounted for as a single transaction. One or more of the following may indicate that the parent should account for the multiple arrangements as a single transaction:

- (1)They are entered into at the same time or in contemplation of each other.
- (2)They form a single transaction designed to achieve an overall commercial effect.
- (3)The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement.
- (4)One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

When the Company loses the control over the subsidiary as a result of disposal of share investment, and does not count as signal transaction, and distinguish the accounting treatment in individual financial reporting and consolidation financial statement:

(1) If the Company loses common control or significant influence resulted from the disposal of share investments, the residual share investment shall treat in accordance with enterprise accounting policy standard 22- the recognition and measurement of financial instrument, at the date of losing common control or significant influence, the variance between fair value and book value shall be recognized in profit and loss.

(2) When consolidating the financial statements, a parent recognizes the difference between the fair value and the carrying amount adjusted for the net assets of the subsidiary attributable to the parent since the purchasing date as the surplus, if not enough, as retain earnings. The fair value of any investment retained in the former subsidiary at the date when control is lost. The difference between the amount received from the disposal of shares and the fair value of the remaining shares minus the net assets attributable to the parent as the initial shares should be recognized as in the profit and loss in the period of the loss of control, at the same time offset the goodwill. The parent would reclassify the gain or loss previously recognized in other comprehensive income to profit or loss when it loss control of the subsidiary.

A parent might lose control of a subsidiary in two or more arrangements (transactions). However, sometimes circumstances indicate that the multiple arrangements should be accounted for as a single transaction, and should separately deal with the individual financial statements and the consolidated financial statements in accounting:

- (1) In the individual financial statements, a parent recognizes any resulting difference between the amount received from the transaction of loss control and the book value in the investment of the subsidiaries as the other comprehensive income before loss control of them, and transfer the difference to the profit and loss when control is lost.
- (2) In consolidate financial statements, a parent recognizes any resulting difference between the amount received from the transaction in the loss of control and the net assets of the subsidiaries attributable to the parent as the other comprehensive income before loss control of them, and transfer the difference to the profit and loss when control is lost.

5.The judgment of joint control and significant influence

Joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, which is the agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

If the parties have the interests of the net assets of an entity based on the contractual arrangement, the entity is regarded as the joint venture and the equity method should be used. If not in the interest of net assets of an entity, the parties should recognize the proportion of the jointly controlled operations and use the relevant accounting treatment.

Significant influence is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies. The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

- (1) Representation on the Board of Directors or equivalent governing body of the investee;
- (2) Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- (3) Material transactions between the investor and the investee;
- (4) Interchange of managerial personnel;
- (5) Provision of essential technical information.

(xv). Fixed assets

1.Criteria for recognition of Fixed assets

Fixed assets are tangible assets held for the purpose of producing goods, providing services, leasing or operating management and have a useful life of more than one fiscal year. Fixed assets are recognized when the following conditions are met:

- (1)The economic benefits associated with the fixed asset are likely to flow into the enterprise;
- (2)The cost of the fixed asset can be measured reliably.

The fixed assets of the Company are initially measured at cost. Of this, the cost of purchased fixed assets, including the purchase price, import duties and other related taxes and fees, and to make fixed assets to the intended use of the state can be directly attributed to the other assets of the expenditure. The cost of self-construction of fixed assets consists of the necessary expenses incurred before the construction of the asset reaches its intended usable condition. The fixed assets invested in by the investors shall be recorded at the value stipulated in the investment contract or agreement, but the value agreed upon in the contract or agreement shall be recorded at fair value. The purchase price of the fixed assets exceeds the normal credit condition deferred payment, which is essentially financing, and the cost of fixed assets is determined on the basis of the present value of the purchase price. The difference between the actual payment price and the present value of the purchase price shall be recorded under current profits and losses in the credit period, except for capitalization.

Depreciation of fixed assets is estimated based on their useful life after subtracting the estimated residual value from its recorded value. In the case of fixed assets with provisions for impairment, the book value shall be determined after deducting the impairment provision and the depreciation amount shall be determined on the basis of its useful life. According to the nature and use of the fixed assets, the Company determines the useful life and estimated the net residual value of fixed assets. At the end of the year, the useful life of a fixed asset, the estimated net residual value, and depreciation method are subject to review. If there is a difference with the original estimate, corresponding adjustments are made.

Subsequent expenses related to fixed assets, which meet the conditions for recognition of fixed assets, are included in the cost of fixed assets. If they do not satisfy the conditions for recognition of fixed assets, they shall be included in the current profits and losses.

The fixed asset is terminated when the fixed asset is disposed of or is expected to generate economic benefits by use or disposal. The amount of disposal income of the fixed assets sold, transferred, scrapped or destroyed after deducting its book value and related taxes is recognized as profit or loss for the current period.

2.Depreciation

Classification	Depreciation Method	Depreciation periods (Years)	Net Salvage Value Rate (%)	Annual Depreciation Rate (%)
Machinery Equipment	Average age method	10	5	9.5
Electronic Equipment	Average age method	5	5	19
Houses and buildings	Average age method			
Include: Framework Construction	Average age method	20-45	5	4.75-2.11
Brick Construction	Average age method	20-40	5	4.75-2.38
Light Steel Construction	Average age method	20	5	4.75
Ancillary Construction	Average age method	8-20	5	11.88-4.75
Others	Average age method	5	5	19
Large Vehicles	Average age method	10	5	9.5
Minivans and cars	Average age method	5	5	19

3.Basis of leasing, valuation, calculation and depreciation of fixed assets

If the Company fulfil one or more of the following criteria, it is recognized to be leasing fixed assets

- (1)When the leasing term expires, the ownership of the leased asset is transferred to the Company;
- (2)The Company has the option to purchase the leased asset, and the purchase price is expected to be much lower than the fair value of the leased asset at the time of exercising the option. Therefore, it is reasonable to determine that the Company will exercise such option at the beginning of the lease;
- (3)The lease term accounts for the majority of the useful life of the leased asset, even if the ownership of the asset is not transferred;
- (4)The present value of the minimum lease payments of the Company at the beginning of the lease is almost equivalent to the fair value of the leased assets at the beginning of the lease;
- (5)Leased asset of special nature, provided there is no comparative transformation that only the Company can use.

Between the fair value leasing price and the current leasing price, the lower value is recorded on the book. The minimum lease payments are recorded as long-term payables, and the difference is recognized as unrecognized financing costs. The initial direct costs incurred in the process of leasing negotiations and signing of the lease contract, such as fees, attorneys' fees, travel expenses and stamp duty related to the leasing project, are included in the value of the leased asset. Unrecognized financing costs are apportioned using the effective interest method during each period of the lease term.

The Company adopts the depreciation policy consistent with its own fixed assets to recoup the depreciation of fixed assets. If it is possible to reasonably determine the ownership of the leased asset at the end of the lease term, depreciation shall be made within the useful life of the leased asset. If it is not possible to reasonably determine the ownership of the leased asset at the end of the lease term, depreciation shall be made based on the shorter period out of the lease term and the useful life of the leased asset.

(xvi). Construction in progress

1.Classification of construction in progress

The actual construction cost in progress is determined by the actual expenses incurred before the construction of the asset reaches the intended usable condition, including the cost of engineering materials, labour costs and relevant taxes payable, capitalized borrowing costs and indirect costs that should be apportioned. The calculation of the Company's construction in progress is itemized.

2. Standard and time for carrying forward of fixed assets of projects under construction

The total expenditure incurred before the construction project is completed and reaches the intended usable condition shall be recorded as the value of fixed assets. If the construction in progress has been made to the intended use status but the final phase has not yet been completed, the project will be transferred to fixed assets according to the estimated value based on the project budget, the cost or the actual cost of the project. The depreciation of fixed assets shall be made according to the depreciation policy of the fixed assets of the Company. After the completion of the final phase, the original estimated value shall be adjusted on the basis of the actual cost, but the original depreciation amount shall not be adjusted.

(xvii). Borrowing Costs

1. Principles of Borrowing costs capitalization

The borrowing costs incurred by the Company can be directly attributed to the acquisition, construction or production of assets eligible for capitalization and are capitalized under the conditions of capitalization and are included in the cost of the relevant assets. For other borrowing costs, the amount is recognized as expense in determining profit or loss for the current period.

Assets that are eligible for capitalization require a long period of procurement or production in order to achieve fixed assets, investment real estate and inventory that are in a useable or saleable state.

Borrowing costs begin to capitalize when the following conditions are met:

(1) Assets expenditure has occurred, including expenditure in the form of cash payments, transfers of non-cash assets or interest-bearing debt for the acquisition or construction of assets eligible for capitalization;

(2) Borrowing costs have already occurred;

(3) The purchase, construction or production activities necessary to achieve the intended use or sale of the asset have commenced.

2. Capitalization period of borrowing costs

During the period of capitalization, the borrowing costs are suspended from capitalization and are not included in the period from the point of time when the borrowing costs are capitalized to the point where the capitalization stops.

When the assets that are acquired or produced satisfy the conditions for capitalization and reach the status of being ready for use or sale, the borrowing costs shall cease to be capitalized.

When part of the assets constructed or produced in accordance with the capitalization conditions are completed and can be used independently, capitalization shall be suspended for the borrowing costs for that part of the asset.

Although the parts of the assets constructed or produced are completed respectively, the whole asset is completed before it can be used or sold. The capitalization of the borrowing costs shall be stopped when the asset is completed as a whole.

3. Period while capitalization is suspended

If the assets that meet the conditions of capitalization are interrupted abnormally during the construction or production process and the interruption time is more than 3 months, the borrowing costs shall be suspended. If the interruption is in line with the capitalization conditions of the assets and necessary procedures for reaching a useable or saleable condition, the borrowing costs shall continue to be capitalized. The borrowing costs incurred during the interruption are recognized as profit or loss for the current period and the borrowing costs continue to be capitalized until the asset is purchased or the activity resumes.

4. Method for calculating the capitalization amount of borrowing costs

Interest expense on borrowings (excluding interest income from borrowed funds that have not yet been used by banks or Investment profit from temporary investments) and ancillary costs for capitalization of assets constructed or produced before it can be used or sold shall be capitalized.

The amount of interest that should be capitalized by the general borrowings is calculated based on the weighted average of the asset expenditure over the portion of the accumulated borrowing multiplied by the capitalization of the general borrowing. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

If there is a discount or premium for the borrower, the discount or premium amount that should be amortized for each accounting period shall be determined in accordance with the effective interest rate method.

(xviii). Biological Assets

1. Confirmation of biological assets

Biological asset: refers to living animals and plants.

Biological assets shall at the same time meet the following conditions, in order for confirmation:

(1) The enterprise owns or controls the biological asset as a result of past transactions or events;

(2) The economic benefits or services potentially associated with the biological asset are likely to flow into the enterprise;

(3) The cost of the biological asset can be measured reliably.

2. Classification of Biological assets

Biological assets are divided into consumable biological assets, productive biological assets and public welfare biological assets.

Consumption of biological assets refers to the biological assets held for sale, or harvested for agricultural products in the future, including calves, fattening cattle, and oats and pastures that are harvested for agricultural products in the future. A productive biological asset is a biological asset held for the purpose of producing agricultural products, providing labour services or leasing,

including dairy cows held for the production of calves and milk, as well as long-term repeated use in production and operation, such as forage products. Public welfare biological asset refers to biological asset whose main purpose is defense or environmental protection, including wind and sand, soil and water conservation and water conservation forests.

The company's biological assets include consumable biological assets, immature productive biological assets and immature productive biological assets.

3. The initial measurement of biological assets

The biological assets are initially measured at cost.

The cost of outsourcing biological assets, including purchase price, related taxes, transportation charges, insurance premiums and other expenses that can be directly attributed to the purchase of the asset.

The cost of productive biological assets created or bred independently shall be determined in accordance with the following provisions:

(1) The cost of the productive biological assets in the form of trees, including the necessary expenses such as afforestation, tending, camping facilities, inspection fees, survey design fees and indirect costs that should be apportioned before the intended production and operation objectives.

(2) The cost of self-breeding livestock and draft animals, including the feed, labour costs and the apportionment of the indirect costs and other necessary expenses incurred before achieving the intended production and operation purposes (maturity). Achieving the intended production and operation purposes refers to the production of biological assets during the normal production period, and achieving continuous and stable production of agricultural products for many years in order to provide labour or rental.

(3) The actual cost incurred by the productive biological assets before their intended production is the cost of the productive biological assets, and the follow-up expenses incurred after the intended production purpose shall be recorded as current profits and losses.

4. Subsequent measurement of biological assets

The productive biological assets of the enterprise for the purpose of achieving the intended production and operation shall be depreciated in the same period and shall be included in the cost or current profit and loss of the relevant assets according to their respective purposes.

Depreciation of mature biological assets is calculated using the method of average years, depreciation years and annual depreciation rates as follows:

Expected use year (years)	Residual Rate (%)	Annual depreciation rate (%)
3-5	0-20	33.33-16

At the end of each year, the productive biological assets and consumable biological assets are examined. If there is evidence that the recoverable amount of the productive biological assets or the net realizable value of the consumable biological assets is lower than its book value, the provision for impairment of biological assets and the depreciation of the consumption of biological assets shall be recorded as current profits and losses. The provision for impairment of productive biological assets shall not be reversed once it has been set aside. If the depreciation factors of consumable biological assets disappear, reverse the depreciation provision originally calculated and account for the amount of the reversal to current profit or loss.

(xix). Intangible assets and research and development expenditure

An intangible asset refer to the identifiable non-monetary asset without physical substance owned or controlled by the Company, including land usage right, patent, software documents and development, trade mark right and permits.

1. Measurement on Intangible Assets

(1) Initial measurement by cost when the company obtains intangible assets

The cost of outsourcing intangible assets, including purchase price, related taxes and other expenses directly attributed to the asset for the intended use. If the purchase price of an intangible asset exceeds the deferred payment under normal credit terms, which is essentially of a financing nature, determine the cost of the intangible asset based on the present value of the purchase price.

The difference between the book value of the reorganized debt and the fair market value of the intangible asset used for the debt shall be recognized in the current period based on the fair market value of the intangible asset, profit and loss.

The intangible assets exchanged for non-monetary assets shall be determined based on the fair value of the assets surrendered,

provided that the non-monetary assets are commercially viable and the fair market value of the assets transferred in or transferred out can be reliably measured, unless it is true that the fair market value of the assets is more reliable. The non-monetary assets are not exchanged for the above-mentioned premise, the book value of the assets surrendered and the relevant taxes and fees to be paid as the cost of intangible assets, and the profit or loss is not recognized.

The intangible assets acquired by the merger and acquisition of entities under the same control shall be determined on the basis of the book value of the merged party. The intangible assets acquired by the enterprise under the same control shall be determined on the basis of fair market value.

Internal costs of intangible assets, including: the consumption of materials used in the development of the intangible assets, labour costs, registration fees, other patents and concessions used in the development process and the interest rate to meet the capitalization conditions and other direct costs incurred prior to the intended use of the intangible asset.

(2) Subsequent measurement

Analysis and determination of useful life during the acquisition of intangible assets.

Intangible assets with limited useful life are amortized on a straight-line basis for the period that economic benefits are generated for the enterprise. If the intangible assets cannot be expected to bring economic benefits to the enterprise, they are regarded as intangible assets with an uncertain useful life and are not amortized.

2. Estimating the useful life of intangible assets with limited useful life

(1) Arising from contractual rights or other legal rights of intangible assets, the life of the contract does not exceed the contractual rights or other legal rights of the period;

(2) If contractual rights or other legal rights are due for renewal, and there is evidence that the continuation does not require a large cost, the renewal period is added into the useful life;

(3) Since contracts or the law do not specify useful life, the useful life is determined based on the general situation and comparison with similar industry situations, together with reference to historical experience, expert opinion, and the economic benefits that intangible assets can bring to the Company.

(4) If, even following the above method, it is still not possible to determine the period of economic benefits that the intangible assets can bring to the Company, the intangible assets shall be considered as having an uncertain useful life.

At the end of each period, the useful life and amortization method of intangible assets with limited service life shall be reassessed.

3. The basis of intangible assets with uncertain useful life

At the end of each period, the useful life of intangible assets with uncertain useful life shall be reassessed.

4. Provision for impairment of intangible assets

For intangible assets with a certain useful life, if there is any indication of significant impairment, the impairment test shall be carried out at the end of the period.

For intangible assets with uncertain useful life, the impairment test is carried out at the end of each period.

Impairment of intangible assets is estimated and the recoverable amount is estimated. The recoverable amount shall be determined based on the higher value out of the net amount of the fair value of the intangible asset less the disposal expenses and the present value of the expected future cash flow of the intangible asset.

When the recoverable amount of intangible assets is lower than its book value, the book value of intangible assets shall be reduced to the recoverable amount, and the amount of the write-off shall be recognized as impairment loss of intangible assets and included in the current profits and losses and the depreciation of the intangible assets.

After the impairment loss of intangible assets is confirmed, the depletion or amortization expenses of the impairment intangible assets shall be adjusted accordingly in the future period so that the intangible asset will systematically apportion the book value of the adjusted intangible assets (excluding the estimated net residual value) within the remaining useful life.

Impairment losses on intangible assets are recognized and are not reversed in subsequent accounting periods.

If there is any indication that an intangible asset may be impaired, the Company estimates its recoverable amount based on the individual intangible assets. If the Company encounters difficulties in estimating the recoverable amount of the individual assets, the recoverable amount of the intangible asset group shall be determined based on the asset group to which the intangible asset belongs.

5. The criteria of research phase and development phase

Research phase: the phase of independent systematic study and research for purposes of acquiring and understanding new scientific or technical knowledge.

Development phase: the phase in which research results or other knowledge are applied to a plan or design to produce new or

materially improved materials, devices, products, etc., prior to commercial production or use.

Expenditures at the research stage of the internal research and development project are included in the current profits and losses when incurred.

6. Expenses incurred in the development phase that meet the specific standards of capitalization

Expenditure incurred for internal research and development projects during the development phase, while meeting the following conditions to confirm the intangible assets:

(1) The completion of the intangible asset so that it is technically feasible when used or sold;

(2) Having the intention to complete and use or sell the intangible asset;

(3) The way in which the intangible assets generate economic benefits, including the ability to prove that the products using the intangible assets exist in the market or the intangible assets exist in the market, intangible assets will be used internally and their usefulness can be proved;

(4) Having sufficient technical, financial resources and other resources to support the completion of the development of the intangible assets, and the ability to use or sell the intangible assets;

(5) Expenditure attributed to the stage of intangible assets can be measured reliably.

(xx). Impairment of long-term asset

At the balance sheet date, the Company determines whether there is any indication that long-term assets are likely to be impaired. If there is evidence of impairment of long-term assets, the recoverable amount is estimated on the basis of the individual assets. If it is difficult to estimate the recoverable amount of the individual assets, the recoverable amount of the asset group shall be determined based on the asset group to which the asset belongs.

The estimate of the recoverable amount of the asset is determined by the higher value out of the net amount of the fair value less the disposal expenses and the present value of the expected future cash flow of the asset.

If the recoverable amount of the long-term assets is lower than its book value, the book value of the long-term assets shall be reduced to the recoverable amount, and the amount of the write-down shall be recognized as the impairment loss of the assets. At the same time, provision for impairment of assets is made. Once the asset impairment loss is confirmed, it shall not be reversed during the subsequent accounting period.

After the asset impairment loss is recognized, the depreciation or amortization expenses of the impairment asset are adjusted accordingly in the future period so that the adjusted book value of the asset (net of the estimated net residual value) can be systematically assessed within the remaining useful life.

The goodwill arising from a corporate merger and the intangible assets with uncertain useful life are assessed for impairment every year, whether or not there is any indication of impairment.

In the case of impairment testing of goodwill, apportion the book value of goodwill to the asset group or portfolio of assets that is expected to benefit from the synergies of the merger. When reducing the value of a related asset group or portfolio of assets group with goodwill, if there is any sign of impairment in the asset group or portfolio of assets related to goodwill, then firstly test the asset group or portfolio of assets without goodwill, calculate the recoverable amount, and confirm the corresponding impairment loss by comparing it with the relative book value. Then test the asset group or portfolio of assets with goodwill and compare the book value of these related asset group or portfolio of assets (including the book value portion of the apportioned goodwill) with the recoverable amount, such as the recoverable amount of the related asset group or portfolio of assets that is lower than the book value, in order to confirm the impairment loss of goodwill.

(xxi). Long-term deferred expenses

Long-term deferred expenses are amortized on a straight-line basis during the benefit period, of which:

The rent paid for the lease of fixed assets shall be amortized on the basis of the period stipulated in the lease contract or other reasonable means;

The fixed asset improvement expenses leased under operating leases shall be amortized evenly over the shorter period of the remaining lease term and the useful life of the leased asset.



(xxii). Employee Payroll Payable

Employee remuneration refers to the various forms of remuneration or compensation given by the Company to obtain the services provided by the employees or to terminate the labour relationship. Employee benefits include short-term compensation, after-service benefits, dismissal benefits and other long-term employee benefits.

1. Accounting for short-term compensation

Short-term remuneration refers to the remuneration of employees who are required to be paid during the twelve months after the end of the annual report period for employees to provide related services, except for after-service benefits and dismissal benefits. In the accounting period during which the employees provide services, the Company recognizes the short-term salary payable as liabilities and takes into account the costs and expenses of the relevant assets on the basis of the beneficiaries of the services provided by the employees.

2. Accounting treatment of post - service benefits

Post-employment benefits refer to the various forms of remuneration and benefits, short-term remuneration and dismissal benefits provided by the Company in order to obtain the services provided by the employee and after resignation of the employee or the enterprise's termination of the labour relationship.

The Company's post-employment benefit plan is a defined contribution plan.

The post-employment benefit defined contribution plan mainly consists of participation in the basic social pension insurance organized by the labour and social security agencies and unemployment insurance amongst others. During the accounting period in which the employee provides services to the Company, the amount of deposit shall be calculated based on the defined contribution plan, and is recognized as liability and accounted for in current profit or loss related to the cost of assets.

After the Company has paid the above-mentioned funds on a regular basis in accordance with the standards stipulated by the State, there is no other payment obligation.

3. The accounting treatment of dismissal benefits

Dismissal benefits refer to the compensation provided by the Company to the employees before the expiration of the employee's labour contract or the compensation for the employee to encourage the employee to voluntarily accept retrenchment. If the Company cannot unilaterally withdraw the labour relations plan or obtain the proposed reduction or confirm the costs associated with the reorganization of the severance benefits, the liabilities arising from the withdrawal of the labour plan with the employee shall be included as profits and losses of the current period.

The Company provides substantial benefits to employees who accept internal retirement arrangements. Retirement benefits refer to wages paid to employees who have voluntarily withdrawn from work and have paid social insurance premiums and who have not reached the retirement age as stipulated by the State. The Company pays internal retirement benefits to the employees from the date of the commencement of the internal retirement arrangement until the date that they reached the normal retirement age. In the case of internal retirement benefits, the Company conducts accounting treatment in accordance with the dismissal benefits, and the employee's wages and social insurance premiums paid to the employees for the period from the date of termination of service to the normal retirement day shall be recognized as a one-time liability included in current profits and losses. The changes in the actuarial assumptions of the internal benefits and the differences arising from the adjustment of the welfare standard are included in current profits and losses.

4. Accounting for Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits other than short-term remuneration, after-service benefits, and dismissal benefits.

In the case of other long-term employee benefits that satisfy the conditions for the provision of the plan, the amount of the deposit shall be recognized as liabilities and included in the profits and losses of the current profit or loss or related assets in the accounting period in which the employee provides services for the Company. In addition to the circumstances described above, other long-term employee benefits and other benefit obligations arising from the plan that are vested in the employee for the period of service as of the date of the balance sheet shall be included in current profits or losses or related asset costs.

(xxiii). Contingent liabilities

1. Criteria for contingent liabilities

In the event that the obligations are related or in connection with the following conditions, the Company will recognize them as estimated liabilities:

- (1) The obligation is a current obligation of the Company;
- (2) The performance of this obligation is likely to lead to economic benefits flowing out of the Company;
- (3) The amount of the obligation can be reliably measured.

2. Method for the measurement of contingent liabilities

The Company's estimated liabilities are initially measured at the best estimate of the expenditure required to meet the relevant current obligations.

In determining the best estimate, the Company takes into account factors such as risks, uncertainties and monetary time values associated with contingencies. For significant impacts on the time value of the currency, the best estimate is determined by discounting the relevant future cash outflows. The best estimates are treated as follows:

Where there is a continuous range (or interval) for the required expenditure and the likelihood of the various results occurring within the range is the same, the best estimate is determined by the average of the median of the upper and lower limits of the range.

Where there is no continuous range (or interval) of the required expenditure, or there is the existence of a continuous range, but the possibility of occurrence of various results occurring within the range is not the same, and if the contingency involves a single item, the best estimate is based on the most probable amount. If the contingency involves multiple items, the best estimate is determined by the various possible outcomes and the associated probabilities.

Where all or part of the expenditures required by the Company to settle the estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as the asset when the compensation is received and shall not exceed the book value of the contingent liabilities.

(xxiv). Share Payment

1. The type of payment of shares

The Company's share payments are divided into equity payments and cash-settled share payments.

2. Method to determine fair value of equity instruments

For equity instruments such as options that are active in the market, the fair value is determined on the basis of quotes in the active market. The options pricing model considers the following factors: 1) the exercise price of the option; 2) the validity period of the option; 3) the current price of the underlying shares; 4) the expected volatility of the stock price; 5) the expected dividend of the shares; and 6) the risk-free rate within the validity period of the option.

In determining the fair value of the equity instrument grant date, consideration is given to the impact of market conditions and non-exercisable conditions on the exercisable conditions set forth in the Share Payment Agreement. Where there is a non-exercisable condition for the payment of shares, it is confirmed that the costs of service were incurred when the employee or other party satisfies all of the applicable non-market conditions (such as the term of service, etc.).

3. Basis for determining the best estimate for equity instruments with exercisable rights

For each balance sheet date of the waiting period, the best estimate is adjusted to reflect the number of equity instruments based on the latest changes in the number of employees, and the number of equity instruments expected to be exercisable. On the date of exercise, the final estimate of the number of equity and equity instruments is consistent with the actual number of exercisable rights.

4. Accounting treatment methods

The equity share payment shall be measured at the fair value of the employee's equity instrument. If the right to exercise occurs immediately after the grant, the fair value of equity instruments at the date of grant shall be used to calculate the relevant expenses or costs, and the corresponding increase in the capital reserve. In the event that the service is completed in the waiting period or the required performance conditions are fulfilled, the services obtained shall be included in expenses or costs and capital reserve on each balance sheet within the waiting period, based on the best estimate of the fair value of exercisable rights and interests. No further adjustments to the recognized relevant costs or expenses and total shareholders' equity shall be made after the date of exercise.

Cash-settled share payments are measured at the fair value of the liabilities determined on the basis of shares or other equity instruments undertaken by the Company. The fair value of the liabilities assumed by the Company shall be included in the relevant costs or expenses at the date of granting, and the corresponding liabilities shall be increased. In the event that the service is completed during the waiting period or the required performance conditions are fulfilled, the services obtained shall be included in expenses or costs and corresponding liabilities on each balance sheet within the waiting period, based on the best estimate of the fair value of exercisable rights and interests. At each of the balance sheet date and settlement dates before the relevant liabilities are settled, re-measurements of the fair value of liabilities and their changes are included in the current period loss.



If the equity instruments granted are cancelled during the waiting period, the Company shall, in order to accelerate the exercise of the benefit instruments, recognize the remaining amount in the remaining waiting period immediately as current profits and losses and confirm the capital reserves. If an employee or other party was able to choose to meet the non-exercisable conditions but did not meet the conditions during the waiting period, the company shall treat the granted equity instrument as cancelled.

(xxv). Revenue

1. Specific criteria for sales revenue confirmation time

The Company has transferred the main risks and rewards in the ownership of goods to the purchaser, and the Company does not have the right to continue to manage ownership nor the effective control of the goods sold; the amount of income can be reliably measured; the economic benefits are likely to flow into the enterprise, and when the related costs incurred or costs that will be incurred can be measured reliably, confirmation of the sales revenue of the goods is realized.

Company sales are divided into the dealer sales method and the direct sales method. Under the dealer sales method, the issue of goods serves as confirmation of revenue, and under the direct sales model, customer receipt serves as confirmation revenue.

2. Basis for confirming income from the transfer of the right to use assets

When the economic benefits related to the transaction are likely to flow into the enterprise and the amount of the revenue can be measured reliably, the amount of the right to use the transferred assets is determined by the following circumstances:

- (1) The amount of interest income shall be determined based on the time and actual interest rate of the monetary funds of others using the enterprise;
- (2) The amount of royalties is calculated and determined in accordance with the royalties time and method stipulated by the relevant contract or agreement.

3. The provision of labour services as the basis and method for confirmation

If the results of the labour service transaction can be reliably estimated at the balance sheet date, the income percentage shall be recognized by the percentage of completion method. The progress of the completion of the labour service transaction is determined based on the measurement of the completed work.

The result of providing a labour service transaction can be reliably estimated, meaning that the following conditions are met:

- (1) the amount of revenue can be measured reliably;
- (2) The relevant economic benefits are likely to flow into the enterprise;
- (3) The progress of the completion of the transaction can be reliably determined;
- (4) The costs incurred and to be incurred in the transaction can be reliably measured.

The total amount of labour services provided shall be determined in accordance with the price of the contract or agreement received or receivable, unless the price of the contract or agreement received or receivable is unfair. The balance sheet date shall be determined by the amount of the total service income multiplied by the completion of the previous accounting period, to confirm that the service income has been provided during the current period. At the same time, the estimated total cost of service provided by the completion of the previous accounting period is used to confirm the cumulative amount of labour costs and the current labour costs.

If the results of the labour service transaction cannot be reliably estimated at the balance sheet date, each case is handled in accordance with the following methods:

- (1) If the labour costs incurred are expected to be compensated, income from the provision of labour services shall be recognized in accordance with the amount of labour costs incurred and the labour costs shall be carried forward at the same amount.
- (2) If the cost of labour services incurred is not expected to be compensated, the cost of labour services incurred shall be recorded as current profits and losses, and the income from providing labour services shall not be confirmed.

The Company's contracts or agreements with other enterprises include the sale of goods and the provision of labour services, the sale of goods and the provision of labour services can be part of the distinction and can be measured separately, the sale of goods may be handled as part of the sale of goods, and the provision of labour services may be handled as part of the provision of labour services. Part of the sale of goods and the provision of services cannot be differentiated, or if differentiated, cannot be measured separately, and the sale of goods and the provision of labour services are all part of the sale of goods processing.

4. Assets transfer with repurchase conditions

When the Company sells the product or transfers other assets, it signs for the sale of the product or the transfer of the asset repurchase agreement with the purchaser, and determines whether the sales goods meet the income recognition conditions based on the terms of the agreement. If the aftermarket repurchase is a financing transaction, the Company does not recognize the sales

revenue when delivering the product or asset. If the repurchase price is greater than the difference between the selling price, interest accrues on the repurchase period and is therefore included in financial expenses.

(xxvi). Government subsidies

Government subsidies are monetary assets and non-monetary assets obtained by the Company from the government free of charge, but do not include the capital invested by the government as the owner of the enterprise. According to the relevant government documents provided by the subsidy target, the government subsidies are divided into asset-related government subsidies and income-related government subsidies.

If there is evidence at the end of the period that the Company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government subsidy shall be recognized according to the amount receivable. In addition, government subsidies are recognized when they are actually received.

If the government subsidy is monetary assets, it shall be measured according to the amount received or receivable. If the government subsidy is a non-monetary asset, it shall be measured at fair value. If the fair value can't be obtained reliably, it shall be measured according to the nominal amount (RMB 1). Government subsidies measured in nominal terms are directly included in the current profits and losses.

If there is any relevant deferred income, the deferred income will be offset against the balance of the relevant deferred income, and the excess shall be included in the current profit and loss. If there is no relevant deferred income, it shall be directly included in the current profits and losses.

If the discount funds are paid to the loan bank and the loan bank provides the loan to the company at a policy preferential rate, the company shall, on the basis of the actual amount of the borrowed money received as the value of the loan, calculate the related borrowing cost according to the principal of the loan and the preferential interest rate of the policy, if the discount funds are paid directly to the company, the company will reduce the related borrowing costs accordingly.

1. The Judgment basis and accounting treatment method of the government subsidies related to the assets

The company is judged by the government subsidy obtained, used for purchasing or other long-term assets as a government subsidy in relation to the assets, and the carrying amount of the assets-related government subsidy to reduce the book value of the related assets.

2. The Judgment basis and accounting treatment method of government subsidies related to income

Government subsidies related to the daily activities of the company, to compensate for the costs or losses incurred in the subsequent period of the company, to be recognized as deferred income and to take into account other proceeds during the period of confirmation of the relevant cost or loss; the government subsidy related to the company's daily activities is used to compensate the company for the related cost or loss incurred, directly credited to other benefits.

Government subsidies unrelated to the daily activities of the company, to compensate for the related expenses or losses incurred in the subsequent period of the enterprise, it is recognized as deferred income, which is included in the current business income during the period of confirming the relevant expenses, and is used to compensate the related expenses or losses incurred by the enterprise, and is credited directly to the current non-operating income.

(xxvii). Deferred Tax Assets and Deferred income Tax Liabilities

Deferred tax assets and deferred income tax liabilities are recognized based on the difference between the taxable basis of assets and liabilities and their book value (temporary difference). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate at the expected recovery of the asset or liquidation of the liability period.

1. Recognition of Deferred income Tax Assets

The Company is likely to obtain the amount of taxable income that is used to offset deductible temporary differences and able to carry forward the deductible losses and tax credits for subsequent years, and confirm the deferred tax assets from deductible temporary differences. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics are not recognized:

- 1) The transaction is not a corporate merger;
- 2) The transaction does not affect the accounting profit nor the taxable income or deductible losses.

For deductible temporary differences related to the investment in associates, the corresponding deferred income tax assets are recognized at the same time as the following conditions: temporary differences are likely to be reversed in the foreseeable future and



are likely to be used in the future deductible temporary differences in taxable income.

2. Basis for recognition deferred income tax liabilities

The Company shall recognize the taxable temporary difference between the current and the previous period as deferred income tax liabilities. However, it does not include:

- (1) The temporary difference in the initial recognition of goodwill;
- (2) Transactions or events not involving a corporate merger, where the transaction or event does not affect the accounting profit, nor does it affect the taxable income (or deductible loss) caused by the temporary differences;
- (3) For temporary differences in taxes payable to subsidiaries, affiliates, if the timing of the temporary discrepancy can be controlled and the temporary difference is not likely to be reversed in the foreseeable future.

(xxviii). Lease

If the lease term substantially transfers all of the risks and rewards associated with the ownership of the leased asset to the lessee, the lease is a finance lease and the other leases are operating leases.

1. Accounting Treatments for Operating lease

(1) lease-in assets

The leasing fees paid by the Company for leasing the assets are assessed on a straight-line basis over the entire lease term without deducting the allowable period and are charged to current expenses. The initial direct costs incurred by the Company in connection with the lease transaction are charged to current expenses.

When the lessor is responsible for the lease-related expenses incurred by the Company, the Company deducts the part of the expenses from the total amount of the rent, and the rental expenses after deduction are apportioned during the lease term and included in the current expenses.

(2) lease-out assets

The leased fees collected by the Company's leased assets shall be assessed on a straight-line basis over the entire lease term without deducting the allowable period and recognized as rental income. The initial direct costs incurred by the Company in relation to the leasing transaction are charged to the current expenses. If the amount is large, the Company shall be capitalized and recorded in the current income for the entire lease period in the same basic period as the lease income.

When the Company bears the expenses related to the lease to be borne by the lessee, the Company deducts the part of the total amount from the total amount of the rental income and the distribution of the rental expenses after deduction.

2. Accounting Treatment for Finance lease

(1) Financial leasing in assets: The Company shall record the minimum lease payments as long-term payables at the lower out of the fair value of the leased asset and the present value of the minimum lease payment as the leased asset, with the difference as unrecognized financing costs. Refer to Note 4(15) Fixed Assets for the basis, valuation and depreciation method for the financing of the fixed assets.

The Company adopts the effective interest method to amortize the unrecognized financing expenses and includes it in financial expenses during the asset lease period.

(2) Financial leasing out assets: At the beginning of the lease, the Company recognizes the difference between the sum of the financial lease and the balance of the unclaimed residual value as the unrealized financing income, and recognizes the lease for each period in which the rental income is received. The initial direct costs incurred by the Company in connection with the leasing transaction are included in the initial measurement of the finance lease and the amount recognized in the lease term is reduced.

(xxix). Other Main Accounting Policy, accounting estimates and Method for preparing financial Statements

1. Discontinuous operation

The company shall satisfy one of the following conditions, and the component has been disposed of or classified as a separate component of the class to be sold as an terminated part of the business:

- (1) The component represents an independent main business or a separate principal area of operation.
- (2) The component is part of an associated plan intended to dispose of an independent main business or a separate principal area of operation.
- (3) The component is a subsidiary that is made exclusively for resale.

The profit and loss of operation and the profit and loss of disposal are listed in the income statement.

2. Repurchase share

The company repurchase shares for cancellation, reduce registered capital. In the actual repurchase of shares, the stock is included in the total expenditure of the repurchase shares. When the shares are written off, the company reduces the stock, reduces the share value at par, exceeds the nominal pay price, adjusts the capital reserve, and adjusts the retained earnings if the capital accumulation is not sufficient.

3. Major accounting judgments and estimates

In the process of applying accounting policy, the company needs to judge, estimate and assume the book value of the report item which cannot be measured accurately because of the inherent uncertainty of the business activity. These judgments, estimates and assumptions are based on the past experience of the company's management and are based on other relevant factors. The actual results of these estimated uncertainties may differ from the current estimates of the company's management.

The foregoing judgments, estimates and assumptions are periodically reviewed on a continuous basis, and the changes in the accounting estimates only affect the current period of change, and the impact number is confirmed in the current period of the change, and the impact number is confirmed in the current and future periods of the change.

On the balance sheet date, the company's key areas for judging, estimating, and assuming financial statement project amounts are as follows:

(1) Depreciation and amortization

The company's fixed assets and intangible assets in consideration of its residual value, in the service life by the straight-line method of depreciation and amortization. The company regularly reviews the service life to determine the amount of depreciation and amortization expenses to be counted in each reporting period. The service life is determined by the company based on previous experience of similar assets and combined with the expected technical update. In the event of significant changes in previous estimates, depreciation and amortization costs will be adjusted for future periods.

(2) Deferred tax income asset

The realization of deferred income tax assets depends on the actual tax rate for future use of the actual profit and temporary difference in future. In the event that the actual profit is less than expected in the future, or if the actual tax rate is lower than expected, the confirmed deferred income tax assets will be reversed and confirmed in the consolidated profit statement during the reversal. For deductible losses that can be carried forward over the next year, there is no full recognition of deferred income tax assets due to uncertainties about the availability of adequate taxable income in the future.

(3) Corporate income tax

The company pay corporate income tax in many regions. In normal business activities, there is uncertainty about the final tax treatment of some transactions and matters. The company needs to make a major judgment when it comes to the income tax charges in various regions. If the final determination of these tax matters is different from the amount originally recorded, the difference will have an impact on the amount of income tax and deferred income tax incurred during the above final determination period.

(xxx). Changes in Accounting Policies and Accounting Estimates

1. Changes in Accounting Policies

Reason of Changes in Accounting Policies and Accounting Estimates	Authority Approval	Remarks (affected accounting items)
Comply with "Accounting Standards for Enterprise No.16-Government Subsidies"	On August 29, 2017, the company's ninth session of the Board of Directors, the first meeting of the Ninth Board of Supervisors to consider and adopt the "Company discussion on change in accounting policy"	The updates results a decrease of 585,841,453.50 RMB on PPE, a decrease of 568,886,347.51 RMB on intangible assets, a decrease of 53,435,084.66 RMB on other current liability, a decrease of 1,101,292,716.39 RMB on deferred income, a decrease of 39,105,482.67 RMB on operate cost, a decrease of 16,489,841.68 RMB on administration expense, a decrease of 1,204,000.00 RMB in finance expense, a increase of 788,013,845.50 RMB on other income, a decrease of 844,813,169.85 RMB in non-operating income.



Reason of Changes in Accounting Policies and Accounting Estimates	Authority Approval	Remarks (affected accounting items)
For the implementation of the "enterprise accounting Standards No.42-held for sale, disposal group and termination of operation", as well as according to the new amendment of the Ministry of Finance on the revision of the General Enterprise Financial statement form of the relevant provisions, the company needs to change the relevant accounting policies, and in accordance with the above documents stipulated in the start date. The disposal of profits and losses of non-current assets originally reported as "Non-operating income" and "non-operating expenses" shall be changed to "asset disposal proceeds".	April 25, 2018, the company's ninth session of the Board of Trustees, the third meeting of the Ninth Board of Supervisors considered and passed the "Company discussion on change in accounting policy"	In 2017, "non-operating income" decrease RMB31,873,120.52, "non-operating expense" decrease RMB19,694,882.11, "asset disposal proceeds" increase RMB12,178,238.41; In 2016, "non-operating income" decrease RMB15,590,722.25, "non-operating expense" decrease RMB11,874,115.52, "asset disposal proceeds" increase RMB3,716,606.73.

2.Changes in Accounting Estimates

The major accounting estimates have not changed during the reporting period.

V. Taxation

(i)Primary taxes and tax rates

Type	Tax Base	Tax Rate
Value-added tax	The sale of goods and taxable services revenue	Output VAT rate were 6%, 11%, 17% and zero.
City maintenance and construction tax	Total turnover tax liability	1%, 5%, 7%
Corporate income tax	Taxable income calculated from profit deducts related items.	15%, 25%, 28% (New Zealand), 16.5% (Hong Kong), 20% (Netherland), USA Federal rate 34%, State rate 8%

Disclosure of the existence of different corporate taxpayer income tax rates

Entities	Tax Rate (%)
Yili International Development Co., Ltd.	16.5
Hong Kong Jingang Trade Holding Co., Ltd	16.5
SILVER HARBOR LLC.	USA Federal rate 34, State rate 8
Yili Innovation Center Europe B.V.	20
Oceania Dairy Limited	28

(i). Basis for Taxation incentives

1.Corporate tax

(1)In accordance with the Circular of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the Implementation of the Relevant Tax Policies on the Strategy of Developing the Western Region (Cai Shui [2011] No. 58),and On the Implementation of the Western Development Strategy (The State Administration of Taxation Announcement No. 12 of 2012), the Company and some of the subsidiaries located in the application areas of the western development policy applied a preferential tax rate of 15% in 2017

(2)In accordance with Article 27 of the Enterprise Income Tax Law of the People's Republic of China, Article 86 of the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, and The Ministry of Finance and the State Administration of Taxation on the Promulgation of Agricultural Products Enjoying Preferential Policies for Corporate Income Tax (Taxation [2008] No. 149), the income from the initial processing of agricultural products of the Company and some subsidiaries shall be exempted from the enterprise income tax.

(3)In accordance with the relevant provisions of the "Notice on Preferential Policies for Business Income Tax by the Inner Mongolia Autonomous Region Finance Department, Internal Revenue Service, Local Tax Bureau"(Domestic Financial Tax[2009]646) and the "Notice on Taxation Policy on Corporate Financial Institutions by the Inner Mongolia Autonomous Region Finance Department, Internal Revenue Service, Local Tax Bureau"(Domestic Financial Tax[2013]No.204), the Company's subsidiaries, Yili Financial Co., Ltd. and Inner Mongolia Huishang Financial Guarantee Co., Ltd., may enjoy exemption from corporate income tax in the years 2014-2018.and Inner Mongolia HuiShang Internet micro-loan Co., Ltd. enjoys it during 2017 to 2021.

VI. Notes to the consolidated financial statements

(The unit is RMB unless noted differently)

Note 1. Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash on hand	869.24	3,836.66
Bank deposits	20,611,262,108.72	13,149,879,373.26
Other monetary items	1,211,803,197.54	673,771,057.92
Total	21,823,066,175.50	13,823,654,267.84
Include: Total cash and cash equivalent keeps overseas	6,114,028,536.51	6,610,962,348.57

The Other monetary items mentioned above detailed as follow:

Item	Ending balance	Beginning balance
Funds in transfer with POS	145,233,152.94	201,123,907.78
Pledge for guarantee	56,582,162.23	41,141,007.15
Statutory provision in central bank	1,009,987,882.37	431,506,142.99
Total	1,211,803,197.54	673,771,057.92

Restrict monetary items detailed as follow:

Item	Ending balance	Beginning balance
Time deposits not available before expiration	516,218.89	139,601,930.34
Statutory provision in central bank	1,009,987,882.37	431,506,142.99
Pledge for guarantee	56,582,162.23	41,141,007.15
Total	1,067,086,263.49	612,249,080.48

Statement of restrict monetary items

The time deposit not available for withdrawal prior to maturity is the deposit of the subsidiary Oceania Dairy Limited at the Auckland branch of ANZ for a period of 273 days.

The deposit reserve with the central bank is deposited for the Company's subsidiary, Yili Financial Co., Ltd., as the statutory deposit reserve.

The security deposit is the deposit of the bank deposited by the subsidiary of the Company, Inner Mongolia Huishang Financing



Guarantee Co., Ltd. for the Company's suppliers and the customers to provide loans to the bank.

As of December 31, 2017, aside from the above restricted monetary funds, the Company has no other restrictions on funds due to pledges, freezing and other reasons.

Note 2. Notes receivable

1.The classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance draft	163,597,000.00	114,360,000.00
Commercial acceptance draft		
Total	163,597,000.00	114,360,000.00

2. There is no pledged notes at the end of the period

3. The notes receivable that the company has endorsed or discounted at the end of the period and have not yet reached the balance sheet date

Item	Terminated the confirmation amount at the ending balance	No terminated the confirmation amount at the ending balance
Bank acceptance draft	344,903,000.00	
Commercial acceptance draft		
Total	344,903,000.00	

4. Transfer of an instrument to receivables at the end of the period due to the failure of the drawer

5. Statement of notes receivable

The reason for the increase: the company sales settled through bank acceptance draft has increased for the period.

Note 3. Accounts receivable

1. The accounts receivable are disclosed by types

Items	Ending balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Individual significant and with individual provision for bad debts					
Accounts receivables with provision for bad debts based on credit risk characteristics	854,500,222.37	99.50	68,360,017.78	8.00	786,140,204.59
Individual insignificant but with individual provision for bad debts	4,281,637.54	0.50	4,281,637.54	100.00	0.00
Total	858,781,859.91	100.00	72,641,655.32		786,140,204.59

Continued:

Items	Beginning balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Individual significant and with individual provision for bad debts					
Accounts receivables with provision for bad debts based on credit risk characteristics	621,888,475.54	99.71	49,751,078.04	8.00	572,137,397.50
Individual insignificant but with individual provision for bad debts	1,791,513.12	0.29	1,791,513.12	100.00	0.00
Total	623,679,988.66	100.00	51,542,591.16		572,137,397.50

Statement of account receivables classification:

(1) In the combination, accounts receivable with bad debt provisions according to the percentage method:

Combination Type	Ending balance		
	Account receivables	Provision for bad debts	Percentage (%)
Combination 4	854,500,222.37	68,360,017.78	8.00
Total	854,500,222.37	68,360,017.78	8.00

Description of the basis of the combination:

The receivables, which are similar in nature, employed similar risk management methods, and have the same credit risk, and are expected to be a combination of similar future cash inflows. Combination 4 is primarily due to direct receivables being overtaken by payments for electricity providers.

2. Provision, withdraw or transfer for bad debts within the report period

Provision for bad debts for the period is 21,173,610.81; No Provision for bad debts been withdraw or transferred.

3. There is no Accounts receivable actually written off in this period

4. Top 5 debtors for the period state as follow:

Debtors	Ending balance	Percentage of Ending balance (%)	Provision for bad debts
The first	128,511,933.47	14.96	10,280,954.68
The second	106,646,556.37	12.42	8,531,724.51
The third	54,201,899.15	6.31	4,336,151.93
The fourth	54,152,308.44	6.31	4,332,184.68
The fifth	30,284,136.75	3.53	2,422,730.94
Total	373,796,834.18	43.53	29,903,746.74

5. During the reporting period, there wasn't accounts receivable due to transfer of financial assets.

6. During the reporting period, there was no transfer of accounts receivable and continued involvement in forming assets and liabilities.

7. Statement of account receivable

The increase for the period was a consequence of: the sales settled through account receivable from direct distributor and online retailer platforms increased.



Note 4. Prepayments

1.Prepayments presented by aging

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,191,649,756.86	99.94	557,200,208.78	99.79
Above 1 year and less than 2 years	614,614.64	0.05	635,964.13	0.11
Above 2 year and less than 3 years	127,241.68	0.01	123,892.94	0.02
More than 3 years	42,562.86	0.00	430,336.72	0.08
Total	1,192,434,176.04	100.00	558,390,402.57	100.00

2.At the balance sheet date there is no significant individual prepayment with aging above 1 year.

3.The top five pre-payment based on the pre-paid object collection at ending balance of the year

Debtors	Ending balance	Percentage of total prepaid accounts (%)	Prepayment time	Reason of unsettle
The first	613,630,000.00	51.46	Within 1 year	Service not provided
The second	151,899,000.00	12.74	Within 1 year	Service not provided
The third	101,823,565.59	8.54	Within 1 year	Goods not delivered
The fourth	63,920,553.58	5.36	Within 1 year	Goods not delivered
The fifth	52,118,136.41	4.37	Within 1 year	Goods not delivered
Total	983,391,255.58	82.47		

4.Statement of advanced payments

The increase for the period was a consequence of: Prepayment for AD increased

Note 5. Interest receivable

1.Disclosure on interest receivable classification

Item	Ending balance	Beginning balance
Fixed deposit	22,387,621.99	3,850,533.12
Loan interest		
Bond investment		
Short term loan	700,747.96	0.00
Interest of deposit in the central bank	165,358,676.76	31,287,780.84
Total	188,447,046.71	35,138,313.96

2.There is no significant over-due interest.

3.Statement of interest receivable

The increase for the period was a consequence of: the company's subsidiary Yili Finance Co., Ltd. has increased its central bank deposit, and the interest rate for the period has been increased.

Note 6. Other receivables

1.Other receivables are disclosed by types

Classification	Ending balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and with individual provision for bad debts					
Accounts receivables with provision for bad debts based on credit risk characteristics	53,993,738.61	74.46	9,331,941.50	17.28	44,661,797.11
Individually not significant and with individual provision for bad debts	18,515,501.11	25.54	18,515,501.11	100.00	0.00
Total	72,509,239.72	100.00	27,847,442.61		44,661,797.11

Continued:

Classification	Beginning balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and with individual provision for bad debts					
Accounts receivables with provision for bad debts based on credit risk characteristics	47,765,094.01	72.08	8,833,649.94	18.49	38,931,444.07
Individually not significant and with individual provision for bad debts	18,503,933.54	27.92	18,503,933.54	100.00	0.00
Total	66,269,027.55	100.00	27,337,583.48		38,931,444.07

Instructions of other receivables classification:

(1)Using the percentage method of ending balance to accrual bad debts of other receivables in the calculation of the category.

Combination Type	Ending balance		
	Other receivables	Provision for bad debts	Percentage (%)
Combination 2	7,250,000.00	5,500,000.00	75.86
Combination 3	100,480.87	100,480.87	100.00
Combination 4	46,643,257.74	3,731,460.63	8.00
Total	53,993,738.61	9,331,941.50	17.28

Description of the basis of the combination: Accounts receivables with similar nature, risk and risk management, similar in the expected collectable cash flow rate are recognised as in same credit management combination. Combination 2 is loans to the herd famers; combination 3 is loans to milk famers for purchasing milk cows; combination 4 is general deposit, guarantees, and supportive payment for famers.

2.Provision for bad debts' accrued, reclaimed or reversed

Provision for bad debts for the period is 655,272.32 RMB ; Provision for bad debts reclaimed or reversed is 105,194.30 RMB.



3. Other receivables actually written off during the reporting period

Item	Written off amount
Other receivables actually written off	37,568.50

4. Other receivables classified by nature of payment

Item	Ending balance	Beginning balance
Deposits and guarantees	21,977,633.41	17,050,166.88
Supportive payment for famers	22,716,480.57	24,127,094.52
Loans to herd famers	7,250,000.00	7,250,000.00
Loans to milk famers	100,480.87	100,480.87
Supportive payment to milk famer's development	1,507,693.21	7,445,285.28
Fixed assets disposal	18,956,951.66	10,296,000.00
Total	72,509,239.72	66,269,027.55

The top five Other Receivables at the end of the period:

Name of entities	Nature of payment	Ending balance	Aging	Percentage of other receivables at end of the year	Provision for bad debts Ending balance
The first	Fixed assets disposal	18,720,000.00	Within 1 year	25.82	1,497,600.00
The second	Supportive payment	3,043,496.00	More than 3 years	4.20	3,043,496.00
The third	Deposits and guarantees	2,941,923.00	Within 1 year	4.06	235,353.84
The fourth	Supportive payment	2,232,400.00	More than 3 years	3.08	2,232,400.00
The fifth	Deposits and guarantees	2,018,738.99	Within 1 year	2.78	161,499.12
Total		28,956,557.99		39.94	7,170,348.96

5. No other receivables that are involved in government subsidies at the end of the reporting period

6. No other receivables that are terminated as a result of the transfer of financial assets at the end of the reporting period

7. No transfer of other receivables and continuously involving in forming assets and liabilities during the reporting period

Note 7. Inventory

1. Inventory by Categories

Item	Ending balance			Beginning balance		
	Book balance	Depreciation	Book value	Book balance	Depreciation	Book value
Raw material	2,321,254,616.53	1,193,514.74	2,320,061,101.79	2,237,478,865.42	424,862.10	2,237,054,003.32
Products in progress						
Stock items	1,694,458,022.56		1,694,458,022.56	1,498,500,812.18		1,498,500,812.18
Reusable materials						
Consumable biological assets						
Packaging Materials	304,566,434.41	7,342,813.73	297,223,620.68	281,056,814.41		281,056,814.41
Low value consumables	36,106.84		36,106.84	806,581.20		806,581.20
Semi-finished products	304,068,891.18	5,841,864.72	298,227,026.46	308,225,484.58		308,225,484.58
Consigned processing materials	31,845,615.14	1,857,627.68	29,987,987.46	137,171.93		137,171.93
Total	4,656,229,686.66	16,235,820.87	4,639,993,865.79	4,326,205,729.72	424,862.10	4,325,780,867.62

2. Inventory Impairment Provision

Inventory category	Beginning balance	Increase for the year		Decrease for the year		Ending balance
		Accrued	Other	Reversal or written offs	Other	
Raw material	424,862.10	936,180.43		146,503.44	21,024.35	1,193,514.74
Products in progress						
Stock items						
Reusable materials						
Consumable biological assets						
Packaging Materials		7,501,825.64			159,011.91	7,342,813.73
Low value consumables						
Semi-finished products		5,968,372.91			126,508.19	5,841,864.72
Consigned processing materials		1,897,855.44			40,227.76	1,857,627.68
Total	424,862.10	16,304,234.42		146,503.44	346,772.21	16,235,820.87

Note 8. Other current assets

Item	Ending balance	Beginning balance
Input tax to be deducted	402,301,154.82	296,462,928.15
Prepaid income tax	93,181,904.90	201,398,291.36
Prepaid VAT		1,963,222.20
Goods service tax refund	11,232,917.23	48,339,380.81
Receivable security funds	372,002,264.27	140,148,705.67
Receivable subrogation	1,933,089.69	2,183,479.04
Short-term loan	126,740,261.80	
Total	1,007,391,592.71	690,496,007.23

Other instructions:

(1) Goods service tax refund is an application to the administration of taxation in New Zealand by Oceania Dairy Limited for tax refund.

(2) Receivable security funds is formed by the subsidiary Huixing Commercial Factoring Co., Ltd. for the Company's dealers and suppliers to provide accounts receivable factoring business.

(3) Receivable subrogation is a result of Inner Mongolia Huishang Finance Guarantee Co., Ltd.'s guarantee for the company's supplier, a total amount of RMB 4,561,578.46. The company's assessment regarding to the assets of the suppliers leads to an expected loss of RMB 2,628,488.77 after assets impairment provision, the remaining of RMB 1,933,089.69 are considered collectable.

(4) Short-term loan is loans issued by Yili Finance Co., Ltd. and Inner Mongolia HuiShang Internet micro-loan Co., Ltd. to the company's dealers and suppliers with credit period of 2 to 12 months and annual rate of 5.44% to 9.77%.



Note 9. Available-for-sale financial assets

1. Available-for-sale financial assets

Item	Ending balance		Beginning balance			
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Debt instruments available for sale						
Equity instruments available for sale	652,169,595.43	350,000.00	651,819,595.43	612,714,316.30	350,000.00	612,364,316.30
Measured at fair value	44,178,352.50		44,178,352.50	35,200,857.86		35,200,857.86
Measured at cost method	607,991,242.93	350,000.00	607,641,242.93	577,513,458.44	350,000.00	577,163,458.44
Total	652,169,595.43	350,000.00	651,819,595.43	612,714,316.30	350,000.00	612,364,316.30

2. Available-for-sale financial assets at fair value at the end of the period

Classification	Equity instruments available-for-sale	Debt instruments available-for-sale	Total
Equity instrument costs/amortization cost of debt instruments	7,187,620.00		7,187,620.00
Fair value	44,178,352.50		44,178,352.50
The amount of changes in fair value accrued to other comprehensive income	36,990,732.50		36,990,732.50
Minus: Amount of impairment that has been accrued			

3. Available-for-sale financial assets measured at cost at the end of the period

Invested unit	Holding shares percentage (%) in the invested company	Book balance			
		Beginning balance	Increase during the current period	Reduction during the current period	Ending balance
Chengdu Bank Co., Ltd.	1.00	81,250,000.00			81,250,000.00
Mianyang Science and Technology City Industrial Investment Fund	2.22	90,361,429.05		14,522,215.51	75,839,213.54
CITIC Industrial Investment Fund Management Co., Ltd.	5.00	121,500,000.00			121,500,000.00
Inner Mongolia Yisheng Biotechnology Co., Ltd.	10.00	400,000.00			400,000.00
Shenzhen Huatai Ruilin equity investment fund partnership	10.00	34,000,000.00			34,000,000.00
United Zhongya (Hohhot) Packaging Co., Ltd.	18.64	10,418,992.39			10,418,992.39
Guokai Boyu Phase 1 (Shanghai) Equity Investment Partnership	4.09	194,233,037.00			194,233,037.00
Hohhot in Haikou Office		50,000.00			50,000.00
Hohhot Mall Real Estate		300,000.00			300,000.00
Inner Mongolia Collaborative Innovation Equity Investment Fund Co., Ltd.	3.12	20,000,000.00			20,000,000.00
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	1.98	25,000,000.00			25,000,000.00
Inner Mongolia Steppe Cultural Film Industry Fund (limited partnership)	9.00		45,000,000.00		45,000,000.00
Total		577,513,458.44	45,000,000.00	14,522,215.51	607,991,242.93

Continued:

Invested company	Provision for impairment			Ending balance	Current cash dividend
	Beginning balance	Increase during the current period	Reduction during the current period		
Chengdu Bank Co., Ltd.					8,125,000.00
Mianyang Science and Technology City Industrial Investment Fund					38,571,235.42
CITIC Industrial Investment Fund Management Co., Ltd.					
Inner Mongolia Yisheng Biotechnology Co., Ltd.					
Shenzhen Huatai Ruilin equity investment fund partnership					
United Zhongya (Hohhot) Packaging Co., Ltd.					
Guokai Boyu Phase 1 (Shanghai) Equity Investment Partnership					1,425,203.59
Hohhot in Haikou Office	50,000.00			50,000.00	
Hohhot Mall Real Estate	300,000.00			300,000.00	
Inner Mongolia Collaborative Innovation Equity Investment Fund Co., Ltd.					
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)					
Inner Mongolia Steppe Cultural Film Industry Fund (limited partnership)					
Total	350,000.00			350,000.00	48,121,439.01

4. Changes in the impairment of Available-for-sale financial assets during the reporting period

Available-for-sale financial assets	Equity instruments available for sale	Debt instruments available for sale	Total
Impairment balances accrued at the beginning of the period	350,000.00		350,000.00
Withdrawal during the period			
Including: transfer from other comprehensive income			
Reduction in this period			
Including: return to the fair value after the period			
Balance of the impairment fee withdrawn at the end of the period	350,000.00		350,000.00

5. No equity instruments available for sale at the end of the period whose fair value decreased or was not temporarily decreased but no provision for impairment was made.



Note 10. Long-term equity investment

Invested company	Beginning balance	Changes			
		Additional investment	Reduced investment	Equity gains and losses recognized under the equity method	Other comprehensive income adjustment
I. Joint ventures					
II. Associate enterprise					
Hulunbeier Shengxin Investment Co., Ltd.	18,882,903.01			-222,309.14	
Shandong New Jufeng Technology Packaging Co., Ltd.	116,200,077.10			18,259,652.34	
China Youran Dairy Holding Limited	1,447,287,486.99			69,424,460.42	
Beijing Jiuyang wisdom investment fund management Limited	48,729,883.03			-903,984.61	
Subtotal	1,631,100,350.13			86,557,819.01	
Total	1,631,100,350.13			86,557,819.01	

Continued:

Invested company	Changes				Ending balance	Provision for impairment at end of the year
	Other changes in equity	Declaration of a cash dividend or profit	Provision for impairment	Others		
I. Joint ventures						
II. Associate enterprise						
Hulunbeier Shengxin Investment Co., Ltd.				18,660,593.87		
Shandong New Jufeng Technology Packaging Co., Ltd.	5,016,674.88			129,443,054.56		
China Youran Dairy Holding Limited			52,543,602.49	1,569,255,549.90		
Beijing Jiuyang wisdom investment fund management Limited				47,825,898.42		
Subtotal	5,016,674.88		52,543,602.49	1,765,185,096.75		
Total	5,016,674.88		52,543,602.49	1,765,185,096.75		

Note 11. Fixed assets & depreciation

1. General Information about fixed assets

Item	Houses and buildings	Mechanical equipment	Means of transport	Electronic equipment	Others	Total
I. Original book value:						
1. Beginning balance	6,994,590,926.73	12,388,886,152.40	272,196,776.89	174,711,176.11	985,942,856.09	20,816,327,888.22
2. Increase during the current period	316,234,728.77	1,713,136,955.77	29,527,837.25	15,424,547.96	195,285,039.87	2,269,609,109.62
(1) Purchase	3,223,315.01	135,552,769.30	16,852,273.43	10,745,156.06	143,778,478.35	310,151,992.15
(2) Construction in progress transferred	313,011,413.76	1,577,584,186.47	12,675,563.82	4,679,391.90	51,506,561.52	1,959,457,117.47
(3) Business combination increase						
3. Decrease during the current period	464,902,029.44	533,642,879.59	20,672,928.15	10,989,930.06	70,689,249.31	1,100,897,016.55
(1) Disposal or scrapping	101,486,511.15	288,463,209.13	18,374,500.10	9,898,743.97	58,583,026.13	476,805,990.48
(2) Foreign currency translation difference	14,553,750.53	21,481,488.24	308,388.05	710,425.41	1,195,520.30	38,249,572.53
(3) Reduced for others	348,861,767.76	223,698,182.22	1,990,040.00	380,760.68	10,910,702.88	585,841,453.54
4. Ending balance	6,845,923,626.06	13,568,380,228.58	281,051,685.99	179,145,794.01	1,110,538,646.65	21,985,039,981.29
II. Cumulative depreciation						
1. Beginning balance	1,443,966,088.23	5,347,109,033.21	172,078,963.88	91,774,316.57	588,743,761.01	7,643,672,162.90
2. Increase during the current period	227,752,176.19	976,697,184.91	27,803,592.31	11,539,769.51	164,595,203.04	1,408,387,925.96
(1) Provision	227,752,176.19	976,697,184.91	27,803,592.31	11,539,769.51	164,595,203.04	1,408,387,925.96
3. Decrease during this period	38,579,323.31	242,079,653.67	17,286,223.53	9,679,494.91	52,056,406.97	359,681,102.39
(1) Disposal or scrapping	37,082,629.02	236,177,564.89	17,137,542.68	9,293,843.84	51,731,823.98	351,423,404.41
(2) Foreign currency translation difference	1,496,694.29	5,902,088.78	148,680.85	385,651.07	324,582.99	8,257,697.98
4. Ending balance	1,633,138,941.11	6,081,726,564.45	182,596,332.66	93,634,591.17	701,282,557.08	8,692,378,986.47
III. Provision for impairment						
1. Beginning balance	9,655,486.58	25,176,530.01	9,073.19	8,171.19	344,438.68	35,193,699.65
2. Increase during the current period		6,511,022.90		291,463.45	56,633.69	6,859,120.04
(1) Provision		6,511,022.90		291,463.45	56,633.69	6,859,120.04
3. Decrease during the current period	4,037,106.46	1,714,874.17	9,073.19	8,142.41	12,910.28	5,782,106.51
(1) Disposal or scrapping	4,037,106.46	1,714,874.17	9,073.19	8,142.41	12,910.28	5,782,106.51
4. Ending balance	5,618,380.12	29,972,678.74		291,492.23	388,162.09	36,270,713.18
IV. Book value						
1. Book value at the end of the period	5,207,166,304.83	7,456,680,985.39	98,455,353.33	85,219,710.61	408,867,927.48	13,256,390,281.64
2. Book value at the beginning of the period	5,540,969,351.92	7,016,600,589.18	100,108,739.82	82,928,688.35	396,854,656.40	13,137,462,025.67

The other decrease included the implementation of the revised <Accounting Standards for Enterprises No. 16 - Government Subsidies > (Accounting [2017] No. 15), and the government subsidies related to assets are offset by fixed assets.

2. Fixed assets leased through finance leases

Item	Original Book Value	Cumulative depreciation	Provision for impairment	Book value
Mechanical equipment	125,792,794.87	3,595,739.14		122,197,055.73
Total	125,792,794.87	3,595,739.14		122,197,055.73

3. No Fixed assets leased through operating leases

4. Fixed assets with no title certificate

Item	Book value	The reason for not completing the certificate of title
Houses and buildings	881,329,684.10	New projects put into use for a short time, currently being processed



Note 12. Construction in progress

1.General Information about construction in progress

Project	Ending balance		Beginning balance			
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Liquid milk project	1,294,825,918.64		1,294,825,918.64	668,739,472.53		668,739,472.53
Milk powder project	348,840,825.04		348,840,825.04	267,204,455.47		267,204,455.47
ICE CREAM PROJECT project	31,851,692.95		31,851,692.95	45,814,288.86		45,814,288.86
Yogurt project	72,306,573.97		72,306,573.97	263,794,970.87		263,794,970.87
Other	140,032,325.53		140,032,325.53	98,043,624.84		98,043,624.84
Total	1,887,857,336.13		1,887,857,336.13	1,343,596,812.57		1,343,596,812.57

2.Significant changes in construction projects

Project	Beginning balance	Increase in this period	Current amount transferred to fixed assets	Other reductions during this period	Ending balance
Liquid milk project	668,739,472.53	1,732,533,693.48	1,106,447,247.37		1,294,825,918.64
Milk powder project	267,204,455.47	168,221,414.35	86,585,044.78		348,840,825.04
ICE CREAM PROJECT project	45,814,288.86	135,864,811.84	149,827,407.75		31,851,692.95
Yogurt project	263,794,970.87	409,417,183.19	600,905,580.09		72,306,573.97
Other	98,043,624.84	57,680,538.17	15,691,837.48		140,032,325.53
Total	1,343,596,812.57	2,503,717,641.03	1,959,457,117.47		1,887,857,336.13

Continued:

Project	Budget	Project investment account for budget(%)	Project progress (%)	Interest capitalization accumulated amount	Including: the current capitalization of interest	Current interest capitalization rate (%)	Source of funds
Liquid milk project	4,939,938,325.35	56.58	56.58				Private capital
Milk powder project	576,511,727.22	79.29	79.29				Private capital
Ice cream project	260,483,917.27	69.85	69.85				Private capital
Yogurt project	2,072,734,100.52	32.48	32.48				Private capital
Other	490,483,480.01	33.44	33.44				Private capital
Total	8,340,151,550.37						

3.No provision for impairment of construction projects during the current period

Other instructions:

Reason for increased construction in process is that the increase in liquid milk reform and expansion project in the current period.

Note 13.Construction material

Item	Ending balance	Beginning balance
Special materials	13,977,627.89	2,975,476.41
Special Equipment	230,672.69	48,198,272.00
Tools		723,574.36
Total	14,208,300.58	51,897,322.77

Other instructions:

Reason for reduced construction in process:Huazhong Yoghurt Project requisitioned for construction materials

Note 14. Intangible Assets

1.General Information about intangible assets

Item	Land-use right	Non - patented technology	Software information and development	Trademark rights	Licensing rights	Total
I. Original book value						
1.Beginning balance	1,088,026,153.98	10,100,000.00	81,257,771.93	20,221.74	3,318,013.22	1,182,722,160.87
2.Increase for the year	51,012,410.82		59,728,738.55			110,741,149.37
(1)Purchase	51,012,410.82		59,728,738.55			110,741,149.37
(2)Internal R&D						
(3)Increased corporate mergers						
3.Decrease for the year	571,023,445.29		515,669.77	829.25	136,063.95	571,676,008.26
(1)Disposal or scrap	2,137,097.78		10,000.00			2,147,097.78
(2) Converted difference in foreign currency statements			505,669.77	829.25	136,063.95	642,562.97
(3) Reduced for others	568,886,347.51					568,886,347.51
4.Ending balance	568,015,119.51	10,100,000.00	140,470,840.71	19,392.49	3,181,949.27	721,787,301.98
II. Accumulated amortization						
1.Beginning balance	146,645,585.39	10,100,000.00	34,723,434.87		371,019.74	191,840,040.00
2.Increase for the year	9,786,969.76		7,623,732.57		155,789.99	17,566,492.32
(1)Accrual	9,786,969.76		7,623,732.57		155,789.99	17,566,492.32
3.Decrease for the year	1,806,001.42		155,924.57		18,516.84	1,980,442.83
(1)Disposal or scrap	1,806,001.42		10,000.00			1,816,001.42
(2) Converted difference in foreign currency statements			145,924.57		18,516.84	164,441.41
4.Ending balance	154,626,553.73	10,100,000.00	42,191,242.87		508,292.89	207,426,089.49
III. Provisions for impairment						
1.Beginning balance						
2.Increase for the year						
(1)Accrual						
3.Decrease for the year						
(1)Disposal or scrap						
4.Ending balance						
IV. Book value						
1.Book value at end of period	413,388,565.78		98,279,597.84	19,392.49	2,673,656.38	514,361,212.49
2.Book value at the beginning of the period	941,380,568.59		46,534,337.06	20,221.74	2,946,993.48	990,882,120.87



Reduced for others refers to the government subsidies related to assets offset intangible assets, according to the implementation of the revised Accounting Standards for Enterprises No. 16 - Government Subsidies (Accounting [2017] No. 15)

At the end of the period, the percentage of intangible assets formed through internal R&D accounts for the ending balance of intangible assets is 0.00%.

2. There is no land use rights without certificate of ownership

3. Other descriptions of intangible assets

The main reasons for the reduction of intangible assets: in the current period, the company write-off the government subsidies related to assets to intangible assets due to the implementation of the revised Accounting Standards for Enterprises No. 16 - Government Subsidies (Accounting [2017] No. 15).

Note 15. Goodwill

1. Book Value of Goodwill

The name of the investee or the formation of goodwill	Beginning balance	Increase for the year		Decrease for the year	Ending balance
		Corporate merger formed	Disposal		
Oceania Dairy Limited	10,678,610.25				10,678,610.25
Total	10,678,610.25				10,678,610.25

2. No provision for impairment of goodwill at the end of the reporting period

Statement of Goodwill impairment test procedure, parameter setting and recognition of impairment loss.

In April 2013, the wholly-owned subsidiary of the Company, Yili International Development Co., Ltd. and Hong Kong Jingang Trade Holdings Co., Ltd. purchased a total of 100% equity interest in Oceania Dairy Limited from the original shareholders of Oceania Dairy Limited in New Zealand. The transaction is a merger of companies that were not under the same control and the costs of the merger amounted to RMB 3,274,694.72. The fair value of the net assets of the merged company, Oceania Dairy Limited, on the date of the merger is RMB 7,403,915.53 and the difference of RMB 10,678,610.25 is recognized as goodwill.

The Company forecasts the cash flow of the investee Oceania Dairy Limited for the next five years and at the same time uses the appropriate discount rate to reflect the current market currency time value and the asset-specific risk, and calculates the present value of the expected future cash flow in order to determine the recoverable amount. After testing, we did not discover during this period that the recoverable amount of the investee is lower than its book value, so the impairment loss of goodwill was not taken into account.

Note 16. Long-term deferred expenses

Item	Beginning balance	Increase for the year	Current amortization amount	Other reductions	Ending balance
Leased fixed asset improvement expenses	49,980,633.68		6,921,763.43	35,629,629.10	7,429,241.15
Renovation costs		1,161,357.30	290,339.28		871,018.02
Rental fees	35,099,715.06		4,036,467.20	31,063,247.86	
Agency transfer fees	54,345,775.20	10,330,188.72	7,186,218.24		57,489,745.68
Other	4,226,951.35		821,915.85		3,405,035.50
Total	143,653,075.29	11,491,546.02	19,256,704.00	66,692,876.96	69,195,040.35

Other instructions:

The Long-term deferred expenses within one year will not reclassified as 'non-current assets within one year' and the Beginning balance has been re-presented.

The main reason for the decrease for the year: amortization.

Note 17. Deferred income tax assets and deferred income tax liabilities

1. Undistributed deferred income tax assets

Item	Ending balance		Beginning balance	
	Temporary difference of Deductible	Deferred income tax assets	Temporary difference of deductible	Deferred income tax assets
Provision for impairment of assets	138,497,492.55	22,682,504.65	114,332,686.90	17,966,109.68
Unrealized profits of internal transactions	208,866,155.11	45,764,859.37	232,061,807.77	50,074,433.20
Deductible loss	227,855,925.17	39,320,925.71	130,775,641.76	28,481,270.37
Unpaid wages	1,234,442,140.38	185,166,321.05	1,127,177,496.86	169,076,624.53
Government subsidy	1,145,476,608.53	267,011,483.96	1,093,368,696.05	252,978,015.17
Total	2,955,138,321.74	559,946,094.74	2,697,716,329.34	518,576,452.95

2. No unregulated deferred income tax liabilities

3. Details of deductible temporary differences for unrecognized deferred income tax assets

Item	Ending balance	Beginning balance
Deductible temporary differences:		
Deductible loss	381,349,979.35	348,223,497.60
Provision for impairment of assets	26,532,074.84	8,412,492.40
Total	407,882,054.19	356,635,990.00

4. Deductible loss of unrecognized deferred income tax assets will expire in the following years

Item	Ending balance	Beginning balance	Note
2017		61,380,719.00	
2018	30,092,860.02	30,673,751.89	
2019	29,786,657.73	29,786,657.73	
2020	11,231,231.30	11,151,261.40	
2021	53,383,137.61	45,880,615.40	
2022	45,024,530.13		
Total	169,518,416.79	178,873,005.42	

Note 18. Other non-current assets

Category and content	Ending balance	Beginning balance
Prepaid equipment and engineering funds	724,981,891.33	663,173,098.15
Total	724,981,891.33	663,173,098.15



Note 19. Short-term borrowings

1. Classification of short-term borrowings

Item	Ending balance	Beginning balance
Pledged loan		
Mortgage loan		
Secured loan		
Credit loan	7,860,000,000.00	150,000,000.00
Total	7,860,000,000.00	150,000,000.00

2. No overdue short-term loans at the end of the reporting period

Other instructions:

Reason of increased short-term loans: the increase in borrowings from banks due to purchase raw materials in the current period.

Note 20. Notes payable

Classification	Ending balance	Beginning balance
Trade acceptance note		
Bank acceptance note	215,276,807.81	337,619,879.05
Total	215,276,807.81	337,619,879.05

The total amount of notes payable that has not been paid at the end of the period is RMB 0.00.

Note 21. Accounts payable

Item	Ending balance	Beginning balance
Payments for raw materials and other materials	4,183,263,576.94	3,982,923,186.62
Marketing and transportation costs	1,960,838,557.70	1,793,451,063.87
Engineering and equipment funds	662,166,810.29	666,733,695.45
Others	447,610,525.86	309,803,645.14
Total	7,253,879,470.79	6,752,911,591.08

1. Important accounts payable aged over 1 Year

Name	Ending balance	Reasons for unpaid or not carried forward
The first	15,791,981.40	Not until the settlement date
The second	14,054,403.08	Not until the settlement date
The third	12,445,702.49	Not until the settlement date
Total	42,292,086.97	

Note 22. Received in advance

1. Status of Received in advance

Item	Ending balance	Beginning balance
Dealer payment	4,125,571,142.63	3,591,668,262.20
Total	4,125,571,142.63	3,591,668,262.20

2. No important Received in advance aged over 1 Year

Note 23. Payroll payable

1. List of Payroll payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term pay	2,305,762,766.10	5,698,234,620.47	5,410,911,392.10	2,593,085,994.47
Post-retirement benefits - defined contribution plan	8,922,145.15	609,751,326.28	608,142,113.16	10,531,358.27
Termination benefits	489,572.81	74,232,769.78	74,722,342.59	
Other benefits due within one year				
Total	2,315,174,484.06	6,382,218,716.53	6,093,775,847.85	2,603,617,352.74

2. List of short-term payroll

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Wages, bonuses, allowances and subsidies	2,020,935,613.09	4,859,839,527.76	4,655,727,515.57	2,225,047,625.28
Employee welfare		213,991,486.23	213,991,486.23	
Social insurance	4,028,140.12	296,334,089.20	289,205,908.18	11,156,321.14
Including: medical insurance	3,417,245.25	239,327,665.64	237,195,636.72	5,549,274.17
Work injury insurance	213,980.68	17,698,402.55	17,749,137.11	163,246.12
Maternity insurance	248,629.32	19,483,938.15	19,408,474.34	324,093.13
Children's insurance		221,984.16	221,984.16	
Disability Insurance Funds	148,284.87	19,602,098.70	14,630,675.85	5,119,707.72
Housing provident fund	3,972,997.47	179,793,289.64	180,672,941.37	3,093,345.74
Trade union funds and staff education funds	276,365,284.06	143,061,034.39	65,640,737.96	353,785,580.49
Short-term paid absence				
Short-term profit sharing plan				
Labour dispatch costs	458,931.94	4,962,014.61	5,420,946.55	
Others	1,799.42	253,178.64	251,856.24	3,121.82
Total	2,305,762,766.10	5,698,234,620.47	5,410,911,392.10	2,593,085,994.47

3. List of defined contribution plan

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic old-age insurance	8,610,293.66	590,608,050.89	589,050,442.59	10,167,901.96
Unemployment insurance	311,851.49	19,143,275.39	19,091,670.57	363,456.31
Enterprise annuity payment				
Total	8,922,145.15	609,751,326.28	608,142,113.16	10,531,358.27



Note 24. Taxes payable

Tax	Ending balance	Beginning balance
VAT Tax	101,179,481.23	106,339,121.65
Sale Tax		
Operate Tax		
Corporate income tax	227,320,081.26	308,065,848.93
Personal income tax	11,510,115.81	7,941,340.99
Urban maintenance and construction tax	6,141,024.10	10,981,936.61
Stamp duty	6,043,652.12	5,951,728.99
Land use tax	5,221,695.60	4,978,696.05
Property tax	5,876,873.18	5,442,575.52
Education surcharge	4,956,737.37	8,388,140.44
Water conservancy construction fund	34,280,926.85	30,682,135.83
Others	1,560,165.96	1,456,684.94
Total	404,090,753.48	490,228,209.95

Note 25. Interest payable

Item	Ending balance	Beginning balance
Term interest on long-term borrowings due in instalments		
Interest on corporate bonds		
Interest payable on short-term borrowings	9,326,783.74	67,375.00
Preferred shares \ permanent debt interest divided into financial liabilities		
Total	9,326,783.74	67,375.00

Other instructions:

Reason for increased interest payable:the increase in short-term bank borrowings in this period led to an increase in accrued interest payable.

Note 26. Dividends Payable

Item	Ending balance	Beginning balance
Common stock dividends	68,788,979.38	49,930,411.78
Preferred shares and permanent debt dividends divided into equity instruments		
Subsidiaries dividends payable to minority shareholders	4,342,232.48	
Total	73,131,211.86	49,930,411.78

Other instructions:

Including important unpaid dividends payable for more than one year, the reasons for the unpaid dividends payable should be disclosed: the limited-sale conditions shareholders have not gone through the withdrawal procedure.

Note 27. Other Payables

1.Other payables displayed on the basis of their nature

Nature	Ending balance	Beginning balance
Deposit and guarantee	990,994,010.07	1,059,926,731.02
Staff costs	6,844,063.81	25,738,102.65
Withholding	4,067,577.08	17,425,130.01
Restricted stock repurchase obligations	201,690,525.00	
Others	65,413,148.42	52,064,058.09
Total	1,269,009,324.38	1,155,154,021.77

2.Other important payables aging over 1 year

Name	Ending balance	Reasons for unpaid or not carried forward
Deposit and guarantee	50,196,132.83	Still in cooperation with suppliers or customers
Total	50,196,132.83	

Note 28. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowing due within one year		
Bonds payable due within one year		
Long-term payables due within one year	24,191,543.48	
Total	24,191,543.48	

Note 29. Other current liabilities

Item	Ending balance	Beginning balance
Short-term bonds payable		
Deferred income related to assets		53,435,084.66
Unsettled liability reserve	5,147,543.57	4,567,358.36
Guarantee of compensation reserve	6,783,414.70	6,698,035.77
Total	11,930,958.27	64,700,478.79

Other instructions :

The unsettled liability reserve is the reserve of 50% of the guaranteed income of the subsidiary of Inner Mongolia Huishang Finance Guarantee Co., Ltd., which is reversed when the guarantee expires.

The guarantee of the compensation reserve is a reserve of 1% of the guarantee balance of the company's subsidiary Inner Mongolia Huishang Finance Guarantee Co., Ltd.

Main reason of decrease of other current liabilities:

In comply with the recently updated Accounting Standards for Enterprises No. 16 - Government Subsidies (Accounting [2017] No. 15) the amortization of asset-related deferred income within one year reversed the related assets. .



Note 30. Long-term borrowings

1. Classification of Long-term borrowing

Type of loan	Ending balance	Beginning balance
Credit Loan	289,000.00	289,000.00
Total	289,000.00	289,000.00

Note 31. Long-term payables

1. Classifications of long-term payables

Nature of Payment	Ending balance	Beginning balance
Payments payable of financing lease	88,228,826.04	
Minus: Long-term payables due within one year	24,191,543.48	
Total	64,037,282.56	

Other Instructions:

Reason for long-term account payables: Financing leased fixed assets in current period.

Note 32. Deferred income

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance	The cause of the formation
Subsidies related to assets	996,370,057.49	32,354,000.00	975,770,057.49	52,954,000.00	Funds related to assets received without the assets reaching the condition to operation
Revenue-related government subsidies	122,271,238.06	18,151,200.00	47,190,256.88	93,232,181.18	Government grant with a continuous obligation of research
Total	1,118,641,295.55	50,505,200.00	1,022,960,314.37	146,186,181.18	

1. Deferred income related to government subsidies

Liability item	Beginning balance	Amount of additional subsidies in current period	Amount of current profit or loss	Other changes	Ending balance	Assets related / Income related
Infrastructure support funds by local government on the basis of pledged support when investing in construction plants	952,932,941.16	20,000,000.00		-932,932,941.16	40,000,000.00	Assets related
Financial support funds given by the Government after launch of new infrastructure projects	36,718,729.67			-36,718,729.67		Assets related
Non-monetary incentives by the government for contributing to local economic development	5,720.00			-5,720.00		Assets related
Quality improvement and technological transformation projects	6,112,666.66			-6,112,666.66		Assets related
Sewage treatment upgrade		1,854,000.00			1,854,000.00	Assets related
Special fund for industrial restructuring and upgrading		7,900,000.00			7,900,000.00	Assets related
Boiler desulfurization and dust removal technology reformation	600,000.00	2,600,000.00			3,200,000.00	Assets related
Dairy technology special research funds	97,205,371.05		15,839,489.58	-17,392,736.44	63,973,145.03	Income related
Special fund for modern agricultural technology system construction special fund	742,818.51	681,200.00	561,084.68		862,933.83	Income related

Liability item	Beginning balance	Amount of additional subsidies in current period	Amount of current profit or loss	Other changes	Ending balance	Assets related / Income related
Special fund for the development of the Internet of Things	2,298,048.50				2,298,048.50	Income related
Energy saving, environmental protection funding	2,025,000.00	140,000.00	2,040,000.00		125,000.00	Income related
Special fund for dairy product quality inspection process management platform	20,000,000.00	13,500,000.00	1,657,147.54	-9,608,222.46	22,234,630.00	Income related
Construction and application of fingerprint map for food contact materials		200,000.00	91,576.18		108,423.82	Income related
Overseas IP environment analysis and layout		150,000.00			150,000.00	Income related
Dairy production automation technology transformation		3,480,000.00			3,480,000.00	Income related
Total	1,118,641,295.55	50,505,200.00	20,189,297.98	-1,002,771,016.39	146,186,181.18	

Other instructions:

The other changes included the reduced deferred income according to the implementation of the revised Enterprise Accounting Standards No. 16 - Government Subsidies (Accounting [2017] No. 15).

Note 33. Paid-in capital

Item	Beginning balance	Changes				Ending balance
		Issuing new shares	Bonus share	Transfer capital reserve into capital stock	Others	
Total number of shares	6,064,800,108.00	14,200,000.00			-507,500.00	6,078,492,608.00

Other statement:

The company issued Public Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. 2016 Stock Option and Restricted Shares Registration Completion at 23rd Feb 2017, restricted shares registered number is 14,200,000, increased the company's share from 6,064,800,108 to 6,079,000,108.

The company has called the first extraordinary shareholders general meeting at 11th Sep. 2017, discussed and passed Proposal to partially cancel stock option and partially buy back and cancel restricted share. The company has issued Public Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. Completed Buy Back and Cancel Part of Restricted Shares at 16th Nov. 2017. Restricted shares number of buying back is 507,500, decreased the company's share from 6,079,000,108 to 6,078,492,608. The company has updated this information with Industrial and Commercial Administration at 8th Feb 2018.

Note 34. Capital reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Capital reserve	2,343,013,348.96	203,486,000.00	7,272,475.00	2,539,226,873.96
Other surplus	133,346,727.59	92,960,957.43		226,307,685.02
Total	2,476,360,076.55	296,446,957.43	7,272,475.00	2,765,534,558.98

Other instructions:

Increase for the year is caused by the company's equity premium arising from the issuance of restricted shares to equity incentive objects and the confirmation of equity incentive expenses for the current period

Decrease for the year is caused by the company repurchasing and cancelling some restricted stocks.



Note 35. Treasury shares

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Restricted treasury stock		217,686,000.00	15,995,475.00	201,690,525.00
Total		217,686,000.00	15,995,475.00	201,690,525.00

Other explanations, including changes in current period and reasons for changes:

The increase for the year is due to the company's issuance of restricted stocks to equity incentive objects and the recognition of liabilities and treasury stocks on the repurchase obligations.

The decrease for the year is the adjustment of the repurchase price of restricted stocks after the 2016 profit distribution of the company, and the reduction of the repurchase obligation based on the estimation of the number of exercise equity instruments during the waiting period, as well as the repurchase and cancellation of some restricted stocks by the company during the current period.

Note 36. Other comprehensive income

Item	Beginning balance	Current Period					Ending balance
		Current occurrence amount before tax	subtract: comprehensive income in the previous period into profit or loss for the current period	transfer the other comprehensive income in the previous period into profit or loss for the current period	subtract: income tax expense	Post-tax attributed to parent company	
I. Other comprehensive income could not be reclassified as profit or loss							
Includes: Re-measurement changes of defined benefit plans for net liability & equity							
The equity method accounts for the share of other comprehensive income that cannot be reclassified into profit or loss in the subsequent accounting period of the invested entity.							
II. Other comprehensive income that will be reclassified into profit or loss	361,950,012.64	-433,343,330.45			-433,343,330.45	-71,393,317.81	
Includes: The equity method accounts for the share of other comprehensive income that will be reclassified into profit or loss when the invested entity meets specified conditions in the accounting period thereafter.							
Gain & loss due to VSOE changes of available-for-sale financial assets	27,570,157.86	9,420,574.64			9,420,574.64	36,990,732.50	
Gain or loss due to reclassification of held-to-maturity investments to available-for-sale financial assets							
Gain or loss on effective cash flow hedging							
Currency translation reserve	334,379,854.78	-442,763,905.09			-442,763,905.09	-108,384,050.31	
Other comprehensive income in total	361,950,012.64	-433,343,330.45			-433,343,330.45	-71,393,317.81	

Note 37. Surplus reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	1,727,124,347.78	536,752,144.94		2,263,876,492.72
Discretionary surplus reserve	158,777,451.76			158,777,451.76
Reserve fund				
Business development fund				
others				
Total	1,885,901,799.54	536,752,144.94		2,422,653,944.48

Instructions of surplus reserve:

Increase for the year is the statutory surplus reserve that the company draws at 10% of the net profit after making up the loss for the current period.

Note 38. Retained earnings

Item	Current Period	Last Period
Undistributed profit from the end of the last period before adjustment	12,292,754,714.15	9,791,111,028.49
Adjustment of total undistributed profit at the beginning of the period (Adjustment up +, adjustment)		
Undistributed profit from the beginning of the period after adjustment	12,292,754,714.15	9,791,111,028.49
Add:Net profit attributable to parent company owners during the current period	6,000,884,926.88	5,661,807,747.14
Subtract:Statutory surplus reserve	536,752,144.94	431,004,012.88
Discretionary surplus reserve		
General risk preparation		
Common stock dividends payable	3,647,095,564.80	2,729,160,048.60
Common stock dividends converted to equity		
Undistributed profits at the end of the period	14,109,791,931.29	12,292,754,714.15

Note 39. Operating revenue and operating cost

Item	Current Period		Last Period	
	revenue	Cost	revenue	Cost
Main business	66,800,656,583.43	41,737,366,420.23	59,613,573,800.09	36,800,806,627.35
Other business	746,792,946.89	625,036,240.42	698,435,871.07	626,628,819.82
Total	67,547,449,530.32	42,362,402,660.65	60,312,009,671.16	37,427,435,447.17

Note 40. Interest Income

Item	Current Period	Last Period
Interest income	510,724,782.03	297,211,854.10
Total	510,724,782.03	297,211,854.10

Other instructions:

Reason of increased interest income:The subsidiary Yili Finance Co., Ltd. increased its deposits with banks and central banks in the current period, while the interest rate increased during the current period, which combined to affect the increase in interest income for the period.

Note 41. Interest expenses

Item	Current Period	Last Period
Interest expense	141,666.67	
Total	141,666.67	

Other instructions:

Reason of increased interest expense:The Subsidiary Yili Finance Co., Ltd. incurred interest expenses due to the interbank funds dismantling.



Note 42. Taxes and surcharges

Item	Current Period	Last Period
Consumption tax		
Sale tax		6,773,600.00
Urban maintenance and construction tax	176,186,235.68	161,488,829.38
Extra charges of education funds	144,726,758.99	132,464,464.79
Resource tax		
Real estate tax	56,517,240.26	33,356,820.37
land holding tax	49,082,965.28	30,176,756.36
vehicle usage tax	425,601.59	297,380.31
Stamp duty	67,420,396.86	40,372,323.64
Water conservancy construction fund	12,015,204.97	11,172,656.18
Others	5,195,786.34	3,969,592.19
Total	511,570,189.97	420,072,423.22

Note 43. Selling expenses

Item	Current Period	Last Period
Salary	2,893,198,172.75	2,569,718,336.22
Depreciation repair expenses	105,208,793.19	102,043,836.02
Travel expenses	266,297,966.27	238,826,333.08
Labour insurance and material consumption	20,246,316.90	16,036,225.48
Office rental expense	201,227,403.27	200,899,974.48
Advertising expense	8,206,472,750.52	7,634,186,461.54
Freighting expense	3,766,255,950.04	3,288,035,083.36
Others	62,955,149.40	64,570,249.47
Total	15,521,862,502.34	14,114,316,499.65

Note 44. Administrative expenses

Item	Current Period	Last Period
Salary	1,365,335,411.96	1,522,883,424.34
Depreciation repair expenses	1,078,581,246.31	1,071,946,451.99
Traveling expense	140,502,775.11	134,889,624.04
Labour insurance and material consumption	36,684,600.81	36,349,417.20
Office rental expense	93,693,568.59	96,085,742.76
Consulting and auditing expense	94,040,432.44	74,928,918.69
Amortization of intangible assets	16,283,008.64	27,301,789.78
Tax expense		70,293,794.93
Loss of biological assets		9,040,958.27
R&D expense	209,165,263.62	171,962,177.71
Others	282,762,437.00	240,983,728.70
Total	3,317,048,744.48	3,456,666,028.41

Note 45. Finance expenses

Items	Current Period	Last Period
Interest expense	209,922,255.60	41,126,973.42
Interest income	-101,549,779.00	-51,508,270.60
Exchange losses	-1,521,990.92	26,536,312.69
Bank charges	6,634,857.95	7,733,839.69
Cash discount		-9,175.92
Total	113,485,343.63	23,879,679.28

Other Instructions:

Reason for increased financial expense: The main reason is that the increase in banking loan in the current period resulted in an increase in the corresponding interest expense on borrowings.

Note 46. Impairment Losses on Assets

Item	Current Period	Last Period
Impairment loss on bad debts	21,723,688.83	18,106,524.36
Inventory impairment loss	16,304,234.42	-148,869.41
Available for sale financial asset impairment loss		
Hold-to-maturity investment impairment loss		
Long-term investment equity impairment loss		
Real estate investment impairment loss		
Fixed asset impairment loss	6,859,120.04	19,846,145.76
Construction impairment loss		
Construction work-in-process impairment loss		
Capitalized biological asset impairment loss		
Gas Asset impairment loss		
Intangible asset impairment loss		
Goodwill impairment loss		
Others	5,736,328.73	7,896,442.91
Total	50,623,372.02	45,700,243.62

Note 47. Investment profit

1. Investment profit details

Item	Current Period	Last Period
Gains on long-term equity investment using the equity accounting method	86,557,819.01	-7,596,496.47
Gains on disposing long-term equity investment		79,353,006.36
The Investment profit of financial assets measured at fair value through profit or loss during the period of holding		
Disposal of Investment profit from financial assets at fair value through profit or loss measured at fair value through profit or loss		
Gains on holding held-to-maturity investments		
Gains on holding available-for-sale financial assets	48,121,439.01	133,210,695.75
Gains on disposing available-for-sale financial assets		194,293,802.29
The remaining equity is remeasured at fair value after the loss of control rights.		
Total	134,679,258.02	399,261,007.93



Other instructions:

The decrease in Investment profit was mainly due to the fact that the disposal of China Huishan Dairy Holdings Co., Ltd. and Inner Mongolia Youran Livestock Co., Ltd.'s equity in the previous period resulted in a relatively large Investment profit in the previous period.

Note 48. Gain from assets disposal

Item	Current Period	Last Period
Gain from fixed assets disposal	12,088,711.91	3,716,606.73
Gain from Intangible asset disposal	89,526.50	
Total	12,178,238.41	3,716,606.73

Note 49. Other income

1. Other income details

Item	Current Period	Last Period
Government subsidies	788,013,845.50	
Total	788,013,845.50	

2. Government subsidies accounted to other income

Item	Current Period	Last Period	Assets related / Income related
The local government subsidies support funds to support the conditions when investing in a factory	712,982,856.77		Income related
Dairy technology special research funds	15,839,489.58		Income related
Modern agricultural technology system construction special fund	561,084.68		Income related
Dairy product quality inspection process management platform special funds	1,657,147.54		Income related
Fingerprinting and application of food contact materials	91,576.18		Income related
Tax return	2,058,059.70		Income related
Internship, employment, stability, training subsidies	10,785,438.05		Income related
Industrial and information development support funds	15,039,150.00		Income related
Technical renovation, science and technology project funds	7,634,000.00		Income related
Energy conservation, environmental protection project funds	5,523,432.40		Income related
Special funds for economic and trade development	2,441,000.00		Income related
Agricultural industrialization support fund	400,000.00		Income related
Milk purchase subsidy	12,057,000.00		Income related
Modern agriculture key project special funds	250,000.00		Income related
Others	693,610.60		Income related
Total	788,013,845.50		

Note 50. Government subsidies

Item name	Assets related / Deferred income related to Income related	government subsidies at beginning of the year	Government	Government subsidies	Government
			subsidies confirmed in this period	for this period to reduce the book value of related assets	subsidies recorded to other income
The local government will support the infrastructure supporting funds given by the conditions when investing in the factory	Assets related	1,001,185,713.93	103,447,300.00	1,064,633,013.93	
The local government subsidies support funds to support the conditions when investing in a factory	Income related		712,982,856.77		712,982,856.77
Sewage treatment upgrade project	Assets related		3,800,000.00	1,946,000.00	
Industrial restructuring and upgrading special funds	Assets related		9,900,000.00	2,000,000.00	
Boiler desulfurization and dust removal technology transformation project	Assets related	600,000.00	2,600,000.00		
Dairy technology special research funds	Income related	97,205,371.05		13,342,736.44	15,839,489.58
Modern agricultural technology system construction special fund	Income related	742,818.51	681,200.00		561,084.68
Dairy product quality inspection process management platform special funds	Income related	20,000,000.00	13,500,000.00	9,608,222.46	1,657,147.54
Fingerprinting and application of food contact materials	Income related		200,000.00		91,576.18
Overseas IP environment analysis and layout	Income related		150,000.00		
Dairy product automation technology transformation project	Income related		3,480,000.00		
Loan interest subsidies	Income related		1,204,000.00		
Tax return	Income related		2,058,059.70		2,058,059.70
Internship, employment, stability, training subsidies	Income related		10,785,438.05		10,785,438.05
Industrial and information development support funds	Assets related		15,692,350.00	653,200.00	15,039,150.00
Technical renovation, science and technology project funds	Assets related		18,489,200.00	10,855,200.00	7,634,000.00
Energy conservation, environmental protection project funds	Income related	2,025,000.00	6,743,432.40	3,120,000.00	5,523,432.40
Advantage growth enterprise engineering project special fund	Assets related		350,000.00	350,000.00	
Dairy products smart manufacturing model demonstration item special fund	Assets related		200,000.00	200,000.00	
Special funds for economic and trade development	Income related		2,441,000.00		2,441,000.00
Agricultural industrialization support fund	Income related		400,000.00		400,000.00
Milk purchase subsidy	Income related		12,057,000.00		12,057,000.00
Modern agriculture key project special funds	Income related		250,000.00		250,000.00
Cash rewards for making contributions to local economic development	Income related		2,738,750.00		
Promote enterprise transformation and upgrade award	Income related		1,432,665.00		
Trademark patent awards	Income related		357,720.00		
Others	Income related		693,610.60		693,610.60
Special funds for the development of the Internet of Things	Income related	2,298,048.50			
Financial support fund for newly-added infrastructure project government after production	Assets related	41,174,721.56		41,174,721.56	
Non-monetary incentives for government to contribute to local economic development	Assets related	40,040.00		40,040.00	
Quality improvement and technical transformation project	Assets related	6,804,666.66		6,804,666.66	
Total		1,172,076,380.21	926,634,582.52	1,154,727,801.05	788,013,845.50



Continued:

Item name	Government subsidies included in non-operating profits and expenses in this period	Current government subsidies that offset cost expenses	Others	Returned government subsidies for the current period	Deferred income related to government subsidies at end of the year
The local government will support the infrastructure supporting funds given by the conditions when investing in the factory					40,000,000.00
The local government subsidies support funds to support the conditions when investing in a factory					
Sewage treatment upgrade project					1,854,000.00
Industrial restructuring and upgrading special funds					7,900,000.00
Boiler desulfurization and dust removal technology transformation project					3,200,000.00
Dairy technology special research funds			4,050,000.00		63,973,145.03
Modern agricultural technology system construction special fund					862,933.83
Dairy product quality inspection process management platform special funds					22,234,630.00
Fingerprinting and application of food contact materials					108,423.82
Overseas IP environment analysis and layout					150,000.00
Dairy product automation technology transformation project					3,480,000.00
Loan interest subsidies		1,204,000.00			
Tax return					
Probation, employment, stability, training subsidies					
Industrial and information development support funds					
Technical renovation, science and technology project funds					
Energy conservation, environmental protection project funds					125,000.00
Advantage growth enterprise engineering project special fund					
Dairy products smart manufacturing model demonstration item special fund					
Special funds for economic and trade development					
Agricultural Industrialization Support Fund					
Milk purchase subsidy					
Modern agriculture key project special funds					
Cash rewards for making contributions to local economic development	2,738,750.00				
Promote enterprise transformation and upgrade award	1,432,665.00				
Trademark patent awards	357,720.00				
Others					
Special funds for the development of the Internet of Things					2,298,048.50
Financial support fund for newly-added infrastructure project government after production					
Non-monetary incentives for government to contribute to local economic development					
Quality improvement and technical transformation project					
Total	4,529,135.00	1,204,000.00	4,050,000.00		146,186,181.18

Note 51. Non-operating income

Item	Current Period	Last Period	Amount included in non-recurring gains and losses of the current period
Income from the disposal of non-current assets	528,617.43	431,543.13	528,617.43
Income from debt restructuring			
Revenue from non-monetary asset exchange			
Donation acceptance			
Government subsidies	4,529,135.00	1,058,264,981.47	4,529,135.00
Contract penalty	11,461,514.18	7,232,194.61	11,461,514.18
Unpaid dues approved AP	12,286,974.48	30,396,735.60	12,286,974.48
Others	56,791,543.29	66,865,363.47	56,791,543.29
Total	85,597,784.38	1,163,190,818.28	85,597,784.38

1. Record to profit and loss of government subsidies

Subsidies Item	Amount incurred in this period	Amount incurred in last period	Assets related / Income related
1.Deferred income amortization:			
(1)The local government will support the infrastructure supporting funds given by the conditions when investing in the factory		65,659,971.83	Assets related
(2)Financial support fund for newly-added infrastructure project government after production		6,876,626.94	Assets related
(3)Dairy cattle standardization breeding community infrastructure special funds		2,910,430.79	Assets related
(4)Non-monetary incentives for government to contribute to local economic development		301,143.67	Assets related
(5)Quality improvement and technical transformation project		115,333.34	Assets related
(6)Dairy technology special research funds		14,670,454.08	Income related
(7)Modern agricultural technology system construction special fund		291,501.50	Income related
(8)Special funds for the development of the Internet of Things		2,399,365.01	Income related
2.Tax return		1,701,488.16	Income related
3.Loan interest subsidies		1,492,400.00	Income related
4.Financial support funds			
(1)The local government subsidies support funds to support the conditions when investing in a factory		901,256,672.97	Income related
(2)Government cash awards that contribute to local economic development	2,738,750.00	3,338,934.07	Income related
(3)Agricultural industrialization, leading enterprises supporting funds		7,490,000.00	Income related
(4)Science and technology projects, technological innovation support funds		3,799,446.15	Income related
(5)Industrial and information development support funds		24,582,526.98	Income related
(6)Energy saving, environmental assistance		5,237,989.50	Income related
(7)Internship, employment, stability, training subsidies		14,601,368.40	Income related
(8)Fresh milk purchase, milk powder development subsidies		385,000.00	Income related
(9)Well-known trademark recognition enterprise reward		500,000.00	Income related
(10)Promote enterprise transformation and upgrade award	1,432,665.00		Income related
(11)Trademark patent awards	357,720.00		Income related
(12)Other financial subsidies		654,328.08	Income related
Total	4,529,135.00	1,058,264,981.47	

Other instructions:

Reasons for the decrease in non-operating income: In the current period, the company implements the revised "Enterprise Accounting Standards No. 16 - Government Subsidies" (Accounting [2017] No. 15), which will be related to the company's daily activities from January 1, 2017 onwards. Government subsidies are reported from "non-operating income" Item to "other income" Item. The financial statements for comparable periods are not retrospectively adjusted.



Note 52. Non-operating expenses

Item	Current Period	Last Period	Amount included in non-recurring gains and losses of the current period
Loss from the disposal of non-current assets	21,759,078.15	31,631,380.81	21,759,078.15
Debt restructuring loss			
Non-monetary assets exchange losses			
Donations	103,986,719.77	8,017,410.99	103,986,719.77
Abnormal losses			
Losses			
Liquidated damages	1,766,613.39	14,175,723.25	1,766,613.39
Others	23,201.78	1,423,117.89	23,201.78
Total	127,535,613.09	55,247,632.94	127,535,613.09

Other instructions:

The reason for the increase in non-operating expenses is due to the increase in donation expenses during the period.

Note 53. Income tax expenses

1. Income tax expenses

Item	Current Period	Last Period
Current income tax expense	1,112,745,816.23	1,073,764,835.88
Deferred income tax expense	-41,587,445.53	-110,728,068.84
Total	1,071,158,370.70	963,036,767.04

2. Adjustment process for profit before taxes

Item	Current Period
The total profit	7,073,973,345.81
Income tax expense at legal/applicable tax rate	1,061,096,001.87
The influences of subsidiaries applied different tax rates	252,777,949.30
Adjust the impact of income tax in previous periods	-1,158,021.98
The impact of non-taxable income	-30,009,631.40
Non-deductible costs, expenses, and impact of loss	11,161,682.52
The impact of deductible losses on the use of unrecognized deferred income tax assets in the prior period	
The impact of deductible temporary differences or deductible losses on deferred income tax assets that have not been recognized in the current period	26,470,881.40
Influence of income from tax reduction and tax exemption	-249,180,491.01
Income tax expense	1,071,158,370.70

Note 54. Cash flow notes

1. Other cash received relating to operating activities

Item	Current Period	Last Period
Deposit, security deposit	270,645,829.25	248,001,424.65
Interest income	81,342,016.06	46,659,223.40
Government subsidies	926,634,582.52	1,044,978,830.74
Recovery from dealers	135,550,934.93	77,268,499.50
Others	23,068,351.63	35,629,944.38
Total	1,437,241,714.39	1,452,537,922.67

2. Other cash payment relating to operating activities

Item	Current Period	Last Period
Deposit, security deposit	322,250,103.78	209,585,186.78
Travel expenses	420,344,395.01	396,984,424.46
Greening and cleaning, fire safety fee	44,504,356.78	38,078,792.18
Consulting and auditing fee	133,031,716.71	99,509,558.62
Bank fees	7,074,497.24	8,034,099.60
Donation expenses	65,830,836.82	8,017,410.99
Penalties	1,525,117.56	3,109,038.95
Payment to dealers	200,118,150.00	80,060,000.00
Others	201,431,196.02	247,668,898.64
Total	1,396,110,369.92	1,091,047,410.22

3. Other cash received relating to investing activities

Item	Current Period	Last Period
Withdrawal of fixed deposits not available before maturity	139,085,711.45	
Total	139,085,711.45	

4. Other cash payments relating to investing activities

Item	Current Period	Last Period
Expenditure of fixed deposits not available before maturity		139,601,930.34
Total		139,601,930.34

5. Other cash received relating to financing activities

Item	Current Period	Last Period
Investment funds returned to minority shareholders when a subsidiary is cancelled		300,000.00
Share repurchase	7,475,475.00	
Finance lease fee	21,975,000.00	
Total	29,450,475.00	300,000.00



Note 55. Supplementary information for cash flow

1. Supplementary information for cash flow

Item	Current Period	Last Period
I. Reconciliation of Net Income to Cash Flows from Operating Activities		
Net Income	6,002,814,975.11	5,669,035,236.87
Add: Provision for asset impairment	50,623,372.02	45,700,243.62
Depreciation of fixed assets, biological assets and depletion of oil and nature gas assets	1,408,387,925.96	1,526,069,608.78
Amortization of intangible assets	16,283,008.64	27,301,789.78
Amortization of Long-term deferred expenses	19,256,704.00	58,409,534.35
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets(Income filled as "-")	26,480,331.37	7,187,054.15
Losses on disused assets(Income filled as "-")	21,230,460.72	29,337,135.07
Losses from change of fair value(Income filled as "-")		
Financial expenses(Income filled as "-")	208,400,264.68	67,663,286.11
Losses (gains) on investments(Income filled as "-")	-134,679,258.02	-399,261,007.93
Decrease (increase) in deferred income tax assets(Increase as "-")	-41,587,445.53	-110,728,068.84
Increase (decrease) in deferred income tax liabilities(decrease as "-")		
Decrease (increase) in inventories(increase as "-")	-330,023,956.94	-234,635,137.55
Decrease (increase) in operating receivables(increase as "-")	-1,680,515,435.76	2,906,012,704.30
Increase (decrease) in operating payables (decrease as "-")	1,439,626,232.73	3,288,691,941.18
Others		-63,458,504.64
Net cash flows from operating activities	7,006,297,178.98	12,817,325,815.25
II. Investing and Financing Activities that do not Involve Cash Receipts and Payments		
Conversion of debt into capital		
Reclassification of convertible bonds expiring within one year as current liability		
Fixed assets acquired under finance leases		
III. Net Increase in Cash and Cash Equivalents		
Cash at the end of the period	20,755,979,912.01	13,211,405,187.36
Less: Cash at the beginning of the period	13,211,405,187.36	12,216,720,343.48
Plus: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	7,544,574,724.65	994,684,843.88

2. Relevant Information of Cash and cash equivalent

Item	Ending balance	Beginning balance
I. Cash		
Including: Cash on hand	869.24	3,836.66
Available-for-use bank deposit	7,291,587,974.82	6,997,034,750.58
Other available-for-use monetary funds	145,233,152.94	201,123,907.78
Available-for-use due from Central Bank		
Inter-bank deposits	13,319,157,915.01	6,013,242,692.34
Inter-bank offers		
II. Cash equivalents		
Including: Bond investment mature within 3 months		
III. Ending balance of cash and cash equivalents		
Including: Restricted cash and cash equivalents of the parent company or the group's subsidiaries	20,755,979,912.01	13,211,405,187.36

Note 56. Assets with ownership or using right restricted

Item	Ending Book value	Reasons
Cash in banks and on hand	1,067,086,263.49	Deposit Central Bank's statutory deposit reserve, Fixed deposits and guarantee deposits that cannot be withdrawn at any time
Total	1,067,086,263.49	

Note 57. Monetary items denominated in foreign currencies

1. Monetary items denominated in foreign currencies

Item	Foreign currency balance	Exchange rate	RMB balance
Cash in bank and on hand			
Including: USD	928,198,156.12	6.5342	6,065,032,391.74
EUR	495,774.92	7.8023	3,868,184.66
HKD	3,909,983.50	0.83591	3,268,394.31
NZD	9,014,733.81	4.6327	41,762,557.31
IDR	176,787,725.48	0.0004823	85,264.72
Accounts receivable			
Including: NZD	6,486,365.89	4.632700	30,049,387.28
Other receivables			
Including: USD	45,531.13	6.534200	297,509.51
Interest receivable			
Including: USD	3,424,264.58	6.534200	22,374,829.62
NZD	2,761.32	4.632700	12,792.37
Accounts payable			
Including: USD	6,301,319.54	6.534200	41,174,082.14
NZD	33,041,462.57	4.632700	153,071,183.63
Other payable			
Including: USD	102,208.78	6.534200	667,852.60
NZD	503,108.81	4.632700	2,330,752.20

2. The description of the overseas business entity, including for the important offshore business entity, should disclose its main overseas business, the accounting standard currency and the choice basis. The reason for the change of the accounting standard currency should also be disclosed.

Company in New Zealand's wholly-owned subsidiary Oceania Dairy Limited, business location is in New Zealand, the accounting standard currency for the NZD, accounting standard currency based on the main economic environment of offshore entities decided that this year has not changed.

VII. Changes in consolidation scope

(i). disposal of subsidiaries

1. Single disposal of the investment and loss of control over the company
None



(ii). Changes in the scope of the consolidation for other reasons

1. The new subsidiaries of current period are included in the consolidated scope

Name	Reason
Inner Mongolia Yili Management Consulting Co., Ltd.	new establishment
Inner Mongolia HuiShang Internet micro-loan Co., Ltd.	new establishment

2. The liquidation cancellation subsidiaries of current period are no longer included in the consolidated scope.

None

VIII. Equities in other entities

(一) Equities in subsidiaries

1. Composition enterprises of the Group

Subsidiary Name	Business Operation Location	Registration Location	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
Baotou Yili Dairy Co., Ltd.	Baotou	Baotou Xitu High-tech Zone	Milk purchase, processing and sales	100.00		Investment establishment
Duerbote Yili Dairy Co., Ltd.	Daqing	Daqing	Milk Powder Production	89.38		Investment establishment
Langfang Yili Dairy Products Co., Ltd.	Langfang	Langfang	Liquid milk production	75.00		Investment establishment
Inner Mongolia lingxian Food Co., Ltd.	Hohhot	Hohhot	Processing and sales of agricultural and sideline products	100.00		Investment establishment
Inner Mongolia Qingshan Dairy Co., Ltd.	Hohhot	Hohhot	Milk Powder Production	100.00		Investment establishment
Tianjin Yili Kangye Industry Frozen Food Co., Ltd.	Tianjin	Jinnan Economic Development Zone	Cold drink production and sales	55.00		Investment establishment
Inner Mongolia Yili Fubeier Dairy Products Co., Ltd.	Hohhot	Hohhot	Milk Powder Production	74.51		Investment establishment
Daqing Yili Dairy Co., Ltd.	Daqing	Daqing	Dairy production and sales	74.81		Investment establishment
Zalantun Yili Dairy Co., Ltd.	Inner Mongolia Zalantun	Zalantun	Milk Powder Production	57.48		Investment establishment
Zhaodong Yili Dairy Co., Ltd.	Heilongjiang Zhaodong	Zhaodong	Dairy production and sales	100.00		Investment establishment
Inner Mongolia Yili Enterprise Development Co., Ltd.	Hohhot	Hohhot	Consulting Services	100.00		Investment establishment
Xi'an Yili Taipu Drink Co., Ltd.	Xi'an	Xi'an	Milk and dairy production, sales	100.00		Investment establishment
Shuozhou Yili Dairy Co., Ltd.	Shuozhou	Shanxi, Shanyin	Milk purchase, milk and dairy production, sales	60.00		Investment establishment
Lindian Yili Dairy Co., Ltd.	Heilongjiang Lindian	Lindian	Milk purchase, milk and dairy production, sales	100.00		Investment establishment
Qiqihar Yili Dairy Co., Ltd.	Qiqihar	Qiqihar	Milk purchase, milk and dairy production, sales	100.00		Investment establishment
Chifeng Yili Dairy Co., Ltd.	Chifeng	Chifeng	Milk purchase, milk and dairy production, sales	100.00		Investment establishment
Anda Yili Dairy Co., Ltd.	Heilongjiang Anda	Anda	Milk purchase, milk and dairy production, sales	55.00		Investment establishment
Dingzhou Yili Dairy Co., Ltd.	Dingzhou	Dingzhou	Dairy production and sales	100.00		Investment establishment
Yili Suzhou Dairy Co., Ltd.	Suzhou	Suzhou Industrial Park	Dairy production and sales	100.00		Investment establishment
Jinan Yili Dairy Co., Ltd.	Jinan	Pingyin	Dairy production and sales	100.00		Investment establishment
Inner Mongolia Jinchuan Yili Dairy Co., Ltd.	Hohhot	Hohhot	Dairy production and sales	100.00		Investment establishment
Inner Mongolia Jinshan Dairy Co., Ltd.	Hohhot	Hohhot	Dairy production and sales	100.00		Investment establishment
Foshan Yili Dairy Co., Ltd.	Foshan	Foshan	Dairy production and sales	100.00		Investment establishment
Hefei Yili Dairy Co., Ltd.	Hefei	Hefei	Dairy production and sales	100.00		Investment establishment
Liaoning Yili Dairy Co., Ltd.	Shenyang	Shenyang	Dairy production and sales	70.00		Investment establishment
Hubei Huanggang Yili Dairy Co., Ltd.	Huanggang	Huanggang	Dairy production and sales	100.00		Investment establishment
Inner Mongolia ShengTai Investment Co., Ltd.	Hohhot	Hohhot	Foreign investment	100.00		Investment establishment
Chengdu Yili Dairy Co., Ltd.	Chengdu	Chengdu Qionglai	Dairy production and sales	100.00		Investment establishment
Urumqi Yili Food Co., Ltd.	Urumqi	Urumqi	Dairy cattle breeding, agricultural and sideline products purchase and sales	100.00		Investment establishment
Henan Yili Dairy Co., Ltd.	Pingdingshan	Pingdingshan	Dairy production and sales	100.00		Investment establishment
Fuxin Yili Dairy Co., Ltd.	Liaoning Fuxin	Fuxin	Dairy production and sales	100.00		Investment establishment
Duolun Yili Dairy Co., Ltd.	Inner Mongolia Duolun	Duolun	Dairy production and sales	100.00		Investment establishment
Inner Mongolia Jinhai Yili Dairy Co., Ltd.	Hohhot	Hohhot	Dairy production and sales	100.00		Investment establishment
Xilin Hot Yili Dairy Products Co., Ltd.	Xilin Hot	Xilin gol Economic and technological Development zone	Dairy production and sales	100.00		Investment establishment
Luanxian Yili Dairy Co., Ltd.	Hebei Luanxian	LuanXian, Hebei	Dairy production and sales	100.00		Investment establishment
Lanzhou Yili Dairy Co., Ltd.	Lanzhou	Lanzhou	Dairy production and sales	100.00		Investment establishment
Duerbote Jinshan Dairy Co., Ltd.	Daqing	Daqing	Dairy production and sales	100.00		Investment establishment
Yili International Development Co., Ltd.	Hongkong	Hongkong	International trade	100.00		Investment establishment



3. Major financial information of important joint venture and associated enterprises

Unit: (ten thousand RMB)

Item	Ending balance /YTD in current year	Beginning balance /YTD in Last year
	China Youran Dairy Holding Limited	China Youran Dairy Holding Limited
Current Asset	176,746.51	150,101.94
Non-current assets	434,415.38	398,137.60
Total assets	611,161.89	548,239.54
Current Liabilities	193,089.01	172,294.65
Non-current Liabilities	25,759.00	14,123.02
Total liabilities	218,848.01	186,417.67
Minority stockholder's interest		
Attributable to parent company shareholders' equity	392,313.88	361,821.87
Share of net assets calculated by shareholding	156,925.55	144,728.75
Adjusting items		
— Goodwill		
— Unrealized profit of internal transactions		
— Others		
Book value of equity investment in joint venture	156,925.55	144,728.75
Fair value of equity investment in joint venture with public offering		
operating revenue	525,631.33	309,059.43
Net profit	17,356.12	-4,042.75
Net profit of termination operation		
Other comprehensive income		
Total comprehensive income	17,356.12	-4,042.75
Dividend received from joint venture for the period		

4. Financial information of unimportant joint venture or associated corporation

Unit: (ten thousand RMB)

Item	Ending balance /Current Period	Beginning balance /Last Period
	Joint venture:	
Total investment book value		
The following items are calculated on a shareholding basis		
--Net income		
--Other comprehensive income		
--Total comprehensive income		
Associates :		
Total investment book value	19,592.95	18,381.29
The following items are calculated on a shareholding basis		
--Net income	1,713.34	857.45
--Other comprehensive income		
--Total comprehensive income	1,713.34	857.45

IX. The Disclosure of Risks Related to Financial Instruments

During the operation, the company will face various financial risks: credit risk, liquidity risk and market risk (mainly foreign exchange and interest rate risk). The company's overall risk management plan is aimed at reducing the potential adverse impact on the financial performance of the Company against the unpredictability of financial markets.

(i). Credit risk

Credit risk mainly arise from cash at bank and hand, notes receivable, accounts receivable, other receivables and available-for-sale financial assets. The management layer has applied appropriate credit policies and monitors the credit risks exposure continuously. The company's monetary funds mainly deposit in the central bank, commercial banks and other financial institutions. The managers believe that these central banks or commercial banks have high credibility and asset status and there will not be major credit risk or heavy losses due to breach by the other party. The Company also makes deposits in different commercial banks to spread its risks. For accounts receivable, other receivables and notes receivable, the company sets policies to control credit exposure. The Company assesses the customer's credit qualification and sets the corresponding credit period based on the financial condition of the customer, the possibility of obtaining a guarantee from the third party, the credit record and other factors. The Company will regularly monitor the customer's credit records and remind customers with bad credit records through the method of prompt, shortening credit period and canceling credit period to ensure the company's overall credit risk is within the controllable range.

At December 31, 2017, the company's top five customers' accounts receivable accounted for 43.53% of the company's total accounts receivable. (End of 2016:29.02%).

The maximum credit risk exposure for the company is the carrying value of each financial asset in the balance sheet. Except the financial guarantee made by the company in Note 16, there is no other guarantee that would protect the Company from credit risk.

(ii). Liquidity Risk

Liquidity risk means the company is unable to obtain sufficient funds in a timely manner to meet the needs of business development or pay the due debts and other obligations.

The Company's financial department continuously monitors the company's short-term and long-term capital requirements to ensure sufficient cash reserves and the loan agreement which promise that the financial institutions will provide enough reserve fund to meet short-term and long-term capital requirements.

By December 31, 2017, the company's financial assets and liabilities in no-discounted cash flow agreement are presented by due date as flows:

Item	Ending balance					
	Net book value	Historical value	Within 1 year	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents	21,823,066,175.50	21,823,066,175.50	21,823,066,175.50			
Notes receivable	163,597,000.00	163,597,000.00	163,597,000.00			
Accounts receivable	786,140,204.59	858,781,859.91	858,781,859.91			
Interest receivable	188,447,046.71	188,447,046.71	188,447,046.71			
Other receivables	44,661,797.11	72,509,239.72	72,509,239.72			
Available-for-sale financial assets	651,819,595.43	652,169,595.43				652,169,595.43
Subtotal	23,657,731,819.34	23,758,570,917.27	23,106,401,321.84			652,169,595.43
Short-term borrowings	7,860,000,000.00	7,860,000,000.00	7,860,000,000.00			
Notes payable	215,276,807.81	215,276,807.81	215,276,807.81			
Accounts payable	7,253,879,470.79	7,253,879,470.79	7,253,879,470.79			
Interest payable	9,326,783.74	9,326,783.74	9,326,783.74			
Other payables	1,269,009,324.38	1,269,009,324.38	1,269,009,324.38			
Non-current liabilities due within one year	24,191,543.48	24,191,543.48	24,191,543.48			
Long-term borrowings	289,000.00	289,000.00				289,000.00
Long-term payables	64,037,282.56	64,037,282.56		22,677,019.99	41,360,262.57	
Subtotal	16,696,010,212.76	16,696,010,212.76	16,631,683,930.20	22,677,019.99	41,360,262.57	289,000.00



Continued:

Item	Beginning balance					
	Net book value	Historical value	Within 1 year	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents	13,823,654,267.84	13,823,654,267.84	13,823,654,267.84			
Notes receivable	114,360,000.00	114,360,000.00	114,360,000.00			
Accounts receivable	572,137,397.50	623,679,988.66	623,679,988.66			
Interest receivable	35,138,313.96	35,138,313.96	35,138,313.96			
Other receivables	38,931,444.07	66,269,027.55	66,269,027.55			
Available-for-sale financial assets	612,364,316.30	586,743,044.12				586,743,044.12
Subtotal	15,196,585,739.67	15,249,844,642.13	14,663,101,598.01			586,743,044.12
Short-term borrowings	150,000,000.00	150,000,000.00	150,000,000.00			
Notes payable	337,619,879.05	337,619,879.05	337,619,879.05			
Accounts payable	6,752,911,591.08	6,752,911,591.08	6,752,911,591.08			
Interest payable	67,375.00	67,375.00	67,375.00			
Other payables	1,155,154,021.77	1,155,154,021.77	1,155,154,021.77			
Non-current liabilities due within one year						
Long-term borrowings	289,000.00	289,000.00				289,000.00
Long-term payables						
Subtotal	8,396,041,866.90	8,396,041,866.90	8,395,752,866.90			289,000.00

(iii). Market risk

1.Foreign exchange risk

The principal operation of the Company is located in China and its operations are mainly settled in RMB. However, foreign currency assets and liabilities recognized by the Company and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are denominated in US dollars, euros, NZ dollars and HK dollars) are still foreign exchange risk. The finance department of the company is responsible for monitoring the size of foreign currency transactions and foreign currency assets and liabilities to minimize foreign exchange risk.

(1) The Company did not sign any forward foreign exchange contracts or currency swap contracts.

(2) By December 31, 2017, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Company in RMB as follows:

Item	Ending balance					
	USD Item	EUR Item	HKD Item	NZD Item	IDR Item	Total
Foreign currency financial assets:						
Cash and cash equivalents	6,065,032,391.74	3,868,184.66	3,268,394.31	41,762,557.31	85,264.72	6,114,016,792.74
Accounts receivable				30,049,387.28		30,049,387.28
Interest receivable	22,374,829.62			12,792.37		22,387,621.99
Other receivables	297,509.51					297,509.51
Available-for-sale financial assets			44,178,352.50			44,178,352.50
Subtotal	6,087,704,730.87	3,868,184.66	47,446,746.81	71,824,736.96	85,264.72	6,210,929,664.02
Foreign currency financial liabilities:						
Accounts payable	41,174,082.14			153,071,183.63		194,245,265.77
Other payables	667,852.60			2,330,752.20		2,998,604.80
Subtotal	41,841,934.74	0.00	0.00	155,401,935.83	0.00	197,243,870.57

Continued:

Item	Beginning balance					
	USD Item	EUR Item	HKD Item	NZD Item	IDR Item	Total
Foreign currency financial assets:						
Cash and cash equivalents	5,784,132,550.01	2,126,098.25	9,418,195.14	279,186,673.24	143,685.51	6,075,007,202.15
Accounts receivable				11,092,492.38		11,092,492.38
Interest receivable	4,248.91			3,846,284.21		3,850,533.12
Other receivables	797,809.39					797,809.39
Available-for-sale financial assets			35,200,857.86			35,200,857.86
Subtotal	5,784,934,608.31	2,126,098.25	44,619,053.00	294,125,449.83	143,685.51	6,125,948,894.90
Foreign currency financial liabilities:						
Accounts payable	16,591,229.49			161,700,850.49	235,843.81	178,527,923.79
Other payables	631,443.04			2,415,400.97	84.31	3,046,928.32
Subtotal	17,222,672.53	0.00	0.00	164,116,251.46	235,928.12	181,574,852.11

2.Interest rate risk

The interest rate risk mainly arises from bank loans. The fixed interest rate of financial liabilities causes the company to face the fair value interest rate risk. The company's financial department continuously monitors the interest rate level of the company. Managers will make timely adjustments based on the latest market conditions to reduce interest rate risk.

(1)The company has no floating rate of financial liabilities and interest rate swaps arrangements for the period.

(2)At December 31, 2017, the percentage of the company with interest rate loans accounted for 15.94% of total assets.

(3)Sensitivity analysis

As of December 31, 2017, if the borrowing rate rises or falls by 50 basis points, meanwhile other factors remain the same, the company's annual interest expenditure will increase or decrease by 39,300,000.00 RMB, resulting in the annual total profit reduction or increase of 39,300,000.00 RMB. The sensitivity analysis above assumes that interest rate changes have taken place on the balance sheet date.

X. Fair value

(i). Financial instruments measured at fair value

The company listed at three levels of fair value the book value of financial assets instruments measured at fair value on December 31, 2017. The fair value of the company is categorized within level 3. These categories are described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

The second level input value includes:1) The price of similar assets or liabilities in active market;2) Quotations for the same or similar assets or liabilities in inactive market;3) Other than quotations, such as interest rate and yield curves, implied volatility, and credit spreads that can be observed during normal quote intervals;) The input value of market verification.

Level 3: Inputs for the assets or liabilities are not based on observable market data (unobservable inputs).

Fair value measurement at the end of the period



(ii). Continuous fair value measurement

Item	Fair value measurement at the end of the period			
	The first level of fair value measurement	The second level of fair value measurement	Third level fair value measurement	Total
I. Continuous fair value measurement				
(i). Financial assets measured at VSOE and of which the variation is booked in current period P&L				
1. Available for sale financial assets -equity instrument				
(1)Investment in debt instruments				
(2)Equity Tools Investment				
(3)Derivative financial assets				
2. Financial assets designated to be measured at fair value and changed into current profit and loss				
(1)Investment in debt instruments				
(2)Equity Tools Investment				
(ii). Financial assets available-for-sale				
(1)Investment in debt instruments				
(2)Equity Tools Investment				
(3)Other				
(iii). Investment property				
1.Lease of land-use right				
2.Rental of buildings				
3.Holding and preparing to transfer the land use rights after the value added				
(iv). Biological assets				
1.Consumptive Biological Assets				
2.Capitalized Biological assets				
The total amount of assets that continuous fair value measurement				
(v). Financial liabilities held for trading				
Including: Issued trading bonds				
Derivative financial liabilities				
Other				
(vi). Financial liabilities designated to be measured at fair value and change in the current period of profit or loss				
The total amount of liabilities that continuous fair value measurement				
II. Non continuous fair value measurement				
(i). Holding Assets for sale				
The total amount of assets that non continuous fair value measurement				
The total amount of liabilities that non continuous fair value measurement				

(iii). Item with continuous and non-continuous level 2 fair value measurement use valuation techniques, and important parameters on qualitative and quantitative information.

Since the company does not directly purchase stocks, bonds, and other equity instruments that are quoted in the open market, the fair value of available-for-sale financial assets at this level is determined by the value of the book equity of the equity instrument on the balance sheet date.

(iv). Fair value of financial assets and liabilities which are not measured at fair value

Financial assets and liabilities that are not measured at fair value include: account receivables, short-term loans, account payable, Long-term borrowing and equity instruments that do not have a quote in the active market and fair value cannot be measured reliably. There is no significant difference between book value and fair value of financial assets and liabilities not measured at fair value.

XI. Related party and related party transactions

(i). Details of subsidiary, please refer to VIII (i) "Rights and interests in subsidiaries"

(ii). The information of joint ventures and associated enterprises

Information on the Company's related party transactions in the current period or other joint ventures or associates that had related party transactions in the last period that resulted in a balance is as follows:

Company Name	Relationship with the Group
Shandong XinJuFeng Technology packaging Co., Ltd.	Associated enterprises
Shandong Xijufeng Taidong packaging Co., Ltd.	Subsidiary of Shandong XiJuFeng Technology packaging Co., Ltd.
China Youran Dairy Holding Limited	Associated enterprises
Inner Mongolia Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Holun buir Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Xilin Hot Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Hefei Youran Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Huanggang Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Chengdu Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Wuzhong Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Lindian Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Zhaodong Changqin Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Nanjing Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Tongchuan Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Zhangbei Zhongdu Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Dalateqi Natural Diary Co.,Ltd.	Controlled by China Youran Dairy Holding Limited
Duerbote Mongolian Autonomous County Zhongdu animal husbandry Co., Ltd.	Controlled by China Youran Dairy Holding Limited
Inner Mongolia Shengdehetai Trading Co., Ltd.	Controlled by China Youran Dairy Holding Limited
Inner Mongolia Yihelvjin Agricultural Development Co., Ltd.	Controlled by China Youran Dairy Holding Limited
Inner Mongolia Muquanyuanxing Feed Co., Ltd.	Controlled by China Youran Dairy Holding Limited
Duerbote Muquanyuanxing Feed Co., Ltd.	Controlled by China Youran Dairy Holding Limited
Baoding Yihe Biological Technology Co., Ltd.	Controlled by China Youran Dairy Holding Limited
Ningxia Yi Kang Yuan Biological Technology Co., Ltd.	Controlled by China Youran Dairy Holding Limited

(iii). Other related parties

The other related party name	Relationship with the company
Inner Mongolia Yili Public Welfare Foundation	Other

Other Notes:

In order to help alleviate poverty, actively carry out public benefit activities, promote sustainable environment development, and promote the construction of harmonious society, the company and the company's four senior managers: Pan Gang, Liu Chunhai, Zhao Chengxia, Huliping sponsored the establishment of the Yili Public Welfare Foundation in Inner Mongolia. The original funding amount of RMB 200 million was jointly donated by the sponsors. According to the donation pledge and the provisions of the Company's constitution, the Company donated RMB 0.3 million, accounting for 15.00% of the original fund. The foundation business scope: accepting and managing the donations, disaster relief, carrying out poverty alleviation, education, health care, environmental protection, public welfare training forum, and public welfare activities.



(iv). Related party transaction

1.The transactions between subsidiaries and parent company has been offset in the consolidation level

2.Related party transaction related to goods purchases and services

Unit: (Ten thousand)

Related party	Related transaction content	Current Period	Last Period
Shandong Xijufeng Technology packaging Co., Ltd.	Purchasing packaging materials	56,619.57	39,212.29
Shandong Xinjufeng Taidong packaging Co., Ltd.	Purchasing packaging materials	959.12	
Inner Mongolia Natural Diary Co.,Ltd.	Purchasing raw materials	96,632.65	60,479.27
Xilin Hot Natural Diary Co.,Ltd.	Purchasing raw materials	21,155.11	12,807.52
Hefei Youran Natural Diary Co.,Ltd.	Purchasing raw materials	1,182.55	537.99
Huanggang Natural Diary Co.,Ltd.	Purchasing raw materials	14,701.32	8,864.20
Chengdu Natural Diary Co.,Ltd.	Purchasing raw materials	8,584.27	5,352.45
Wuzhong Natural Diary Co.,Ltd.	Purchasing raw materials	5,078.59	2,920.25
Lindian Natural Diary Co.,Ltd.	Purchasing raw materials	14,241.37	7,545.16
Zhaodong Changqin Natural Diary Co.,Ltd.	Purchasing raw materials	9,781.44	7,530.42
Nanjing Natural Diary Co.,Ltd.	Purchasing raw materials	2,042.40	2,937.05
Tongchuan Natural Diary Co.,Ltd.	Purchasing raw materials	6,683.60	6,114.13
Zhangbei Zhongdu Natural Diary Co.,Ltd.	Purchasing raw materials	5,154.62	3,536.49
Dalateqi Natural Diary Co.,Ltd.	Purchasing raw materials	16,203.26	1,337.85
Duerbote Mongolian Autonomous County Zhongdu animal husbandry Co., Ltd.	Purchasing raw materials	3,949.32	211.24
Inner Mongolia Shengdehetai Trading Co., Ltd.	Purchasing raw materials		129.2
Inner Mongolia Muquanyuanxing Feed Co., Ltd.	Purchasing raw materials	14.05	74.82
Duerbote Muquanyuanxing FeedCo., Ltd.	Purchasing raw materials	3.46	9.17
Baoding Yihe Biological Technology Co., Ltd.	Purchasing raw materials	4.08	
Total		262,990.78	159,599.50

3.Related party transaction related to sale of goods and services

Unit: (Ten thousand)

Related party	Related transaction content	Current Period	Last Period
Inner Mongolia Youran Animal Husbandry Co., Ltd.	Selling raw materials	424.14	207.69
Inner Mongolia Natural Diary Co.,Ltd.	Provision of services	32.64	9.80
Holonbuyr Natural Diary Co.,Ltd.	Provision of services	0.06	0.08
Xilin Hot Natural Diary Co.,Ltd.	Provision of services	12.93	0.38
Hefei Natural Diary Co.,Ltd.	Selling raw materials	28.62	37.23
Huanggang Natural Diary Co.,Ltd.	Selling raw materials	215.18	88.06
Chengdu Natural Diary Co.,Ltd.	Selling raw materials	132.15	41.65
Wuzhong Natural Diary Co.,Ltd.	Selling raw materials	31.9	47.54
Lindian Natural Diary Co.,Ltd.	Selling raw materials	181.74	39.94
Zhaodong Changqin Natural Diary Co.,Ltd.	Selling raw materials	62.51	33.86
Zhaodong Changqin Natural Diary Co.,Ltd.	Selling fixed assets	1,552.24	
Nanjing Youran Natural Diary Co.,Ltd.	Selling raw materials	63.14	5.00
Tongchuan Youran Natural Diary Co.,Ltd.	Selling raw materials	45.84	
Zhangbei Zhongdu Natural Diary Co.,Ltd.	Selling raw materials	31.94	11.71
Duerbote Mongolian Autonomous County Zhongdu animal husbandry Co., Ltd.	Selling raw materials	9.99	33.4
Inner Mongolia Muquanyuanxing Feed Co., Ltd.	Selling raw materials	221.13	143.56
Duerbote Muquanyuanxing FeedCo., Ltd.	Selling raw materials	18.21	
Baoding Yihe Biological Technology Co., Ltd.	Selling raw materials		1.43
Total		3,064.36	701.33

4.Related party asset lending

(1)To remove funds from a related party

Unit: (Ten thousand)

Related party	Amount	Initiate date	Maturity Date	Memo
Inner Mongolia Youran Livestock Co., Ltd.	20,000.00	January 10, 2017	February 24, 2017	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	54.90	July 28, 2017	August 22, 2017	Accounts receivable factor
Total	20,054.90			

5.Remuneration of key management staff

Unit: (Ten thousand)

Item	Current Period	Last Period
Remuneration of key management staff	3,867.77	2,507.38

6.Other Related transactions

Unit: (Ten thousand)

Related party	Related transaction content	Current Period	Last Period
Inner Mongolia Youran Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		6.95
Xilin Hot Youran Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.19
Hefei Youran Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.31
Huanggang Youran Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.19
Chengdu Youran Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.1
Wuzhong Youran Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.08
Lindian Youran Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.35
Zhaodong Changqin Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.13
Nanjing Youran Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.07
Tongchuan Youran Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.11
Zhangbei Zhongdu Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.11
Dalateqi Youran Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.26
Duerbote Mongolian Autonomous County Zhongdu Livestock Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.06
Inner Mongolia Shengdehetai Trading Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		2.04
Inner Mongolia Yihelvjin Agricultural Development Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.04
Inner Mongolia Muquanyuanxing Feed Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		1.5
Duerbote Muquanyuanxing Feed Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.85
Baoding Yihe Biological Technology Co., Ltd.	Yili Finance Co., Ltd. interest payments on deposit absorption		0.19
Inner Mongolia Youran Livestock Co., Ltd.	Recovery of advance payment		279,013.20
Inner Mongolia Youran Livestock Co., Ltd.	Interest income	106.18	602.3
Shandong Xinjufeng Technology packaging Co., Ltd.	Interest income	0.2	
Inner Mongolia Yili Public Welfare Foundation	Donation	9,697.86	30.00
Total		9,804.24	279,659.03

7.Related party accounts receivable and accounts payable

(1)Accounts receivable from related parties

Unit: (Ten thousand)

Item name	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Inner Mongolia Youran Livestock Co., Ltd.	0.27	0.02	17.56	1.41
Accounts receivable	Xilin Hot Youran Livestock Co., Ltd.	3.77	0.30		
Accounts receivable	Wuzhong Youran Livestock Co., Ltd.	5.48	0.44		



(2)Accounts payable to related parties

Unit: (Ten thousand)

Item name	Related party	Book balance at end of year	Book Beginning balance
Accounts payable	Shandong Xinjufeng Technology packaging Co., Ltd.	11,229.31	9,788.51
Accounts payable	Shandong Xinjufeng Technology packaging Co., Ltd.	1,065.83	
Accounts payable	Inner Mongolia Youran Livestock Co., Ltd.	4,246.83	5,360.14
Accounts payable	Xilin Hot Youran Livestock Co., Ltd.	481.9	1,188.01
Accounts payable	Hefei Youran Livestock Co., Ltd.		108.17
Accounts payable	Huanggang Youran Livestock Co., Ltd.	804.41	672.38
Accounts payable	Chengdu Youran Livestock Co., Ltd.	426.54	367.47
Accounts payable	Wuzhong Youran Livestock Co., Ltd.	237.79	244.9
Accounts payable	Lindian Youran Livestock Co., Ltd.	864.95	651.59
Accounts payable	Zhaodong Changqin Livestock Co., Ltd.	371.48	604.11
Accounts payable	Nanjing Youran Livestock Co., Ltd.	22.94	323.81
Accounts payable	Tongchuan Youran Livestock Co., Ltd.	268.15	
Accounts payable	Zhangbei Zhongdu Livestock Co., Ltd.	243.5	225.79
Accounts payable	Dalateqi Youran Livestock Co., Ltd.	1,238.19	699.04
Accounts payable	Duerbote Mongolian Autonomous County Zhongdu Livestock Co., Ltd.	300.35	84.39
Accounts payable	Inner Mongolia Shengdehetai Trading Co., Ltd.	15.3	
Accounts payable	Inner Mongolia Muquanyuanxing Feed Co., Ltd.	16.63	6.09
Accounts payable	Duerbote Muquanyuanxing Feed Co., Ltd.		852.41
Accounts payable	Baoding Yihe Biological Technology Co., Ltd.	0.65	0.92
Advances from customers	Inner Mongolia Youran Livestock Co., Ltd.	49.2	
Advances from customers	Huanggang Youran Livestock Co., Ltd.		5.87
Advances from customers	Inner Mongolia Muquanyuanxing Feed Co., Ltd.	0.12	19.57

8.Related party Commitment

January 19, 2017, the company released the "Inner Mongolia Yili Industrial company Co., Ltd. on the donation to the Inner Mongolia Yili Charitable Foundation", the company intends to donate 50 million RMB to the Inner Mongolia Yili Charitable foundation in the way of its own funds donation, and donate for three consecutive years, total amount 150 million RMB. 2017 has completed 50 million of the donation commitment.

XII. Share Payment

(i). Overall situation of share payment

Total equity tools granted by the company during the current period	
Total amount of various equity instruments that the company exercises during the period	
Total amount of various equity instruments that have expired in the current period	5,230,000 shares
The scope of the exercise price of stock options issued by the company at the end of the period and the remaining term of the contract	The exercise price of stock options is 15.87 RMB/share, 12 months remaining from the first vesting period, 24 months remaining from the second vesting period
The scope of the exercise price of other equity instruments issued by the company at the end of the period and the remaining term of the contract	The grant price of restricted stock is 15.33 RMB/share, the repurchase price is 14.73 RMB/share, 12 months remaining from the first unlocking period, 24 months remaining from the second unlocking period

Other Notes:

According to the company's second extraordinary general meeting of shareholders held in 2016 and the eighth extraordinary session of the Board of Directors held on December 28, 2016 to consider the adoption of the 《On the proposal of awarding stock option and restrictive stock to the incentive object》, The relevant contents of company stock options and restrictive stock incentive matters are as follows:

- 1.Type of stock granted: This incentive plan is intended to grant incentive stock options and restricted stock.
- 2.Source of stock: The source of the subject stock of the incentive object to be awarded to the incentive plan is the RMB A share common stock issued to the incentive object.
- 3.Grant date: December 28, 2016.
- 4.Granted quantity: 45 million stock options and 15 million restricted shares.
- 5.Equity incentive targets: The incentive object of stock option is 294 people, and the incentive object of restricted stock is 293 people.
- 6.Grant price: The exercise price of the incentive object stock options is 16.47 RMB/share, and the grant price of the restricted stock granted to the incentive object is 15.33 RMB/share
- 7.Description of the lock-up period arrangement

This plan shall be valid for a maximum period of 48 months from the date of the stock option and the restricted stock granted, to all stock options, to the end of the exercise or cancellation of all stock options and the unlocking or repurchase of restricted shares. The exercise period of a stock option and restricted stock lock-in period under this incentive plan are 24 months from the corresponding grant date. The restricted shares granted under this incentive plan shall not be transferable, used for security or repayment of debts during the lock-up period.

The incentive period of the stock options granted to the incentive object, the timing of each period of exercise, the unlocking period of restricted stocks, and the unlocking schedule of each period are shown in the following table:

Exercise/unlock schedule	Exercise/unlock time	Exercise/unlock percentage
First exercise/unlock period	24 months from the vested date to the last trading day of 36 months	50%
Second exercise/unlock period	36 months from the vested date to the last trading day of 48 months	50%

8.Exercise/unlock condition

(1)Performance Assessment Requirements

The stock options/restricted stocks awarded in this plan are divided into two exercise/unlock, the base period is 2015, each issue of the exercise/unlock performance conditions are as follows:

Exercise/unlock period	Performance evaluation objectives
First exercise/unlock period	Based on 2015 net profit, the growth rate of 2017 net profit is not less than 30%, and the ROE is not less than 12%.
Second exercise/unlock period	Based on 2015 net profit, the growth rate of net profit in 2018 is not less than 45%, and the return on net assets is not less than 12%.

Note: 1. The above indicators are based on the audited annual consolidated financial data; 2. The incentive costs generated by this stock option/restricted stock incentive will be listed in the current profit and loss;3. The above "net profit", "net profit growth rate" and "return on equity" are measured based on the net profit attributable to the shareholders of the listed company for deducting non-recurring gains and losses; 4. Within the validity period of the incentive plan, if the company implements public issuance of shares, convertible bonds or non-public offering of shares during the year, the newly added net assets may not be included in the calculation of the increase in net assets for the current year and for the coming year.

If the company fails to meet the above performance assessment objectives, the company will, in accordance with the plan, the share of the option available in the current period obtained by the incentive object shall be cancelled, and the restricted stock that can be unlocked in the corresponding assessment year shall not be unlocked and be cancelled by the company's repurchase.



(2) Individual level performance assessment requirements

The assessment of the individual level of the motivating object is carried out according to the relevant regulations of the company.

Assessment Score	Results
91-100	Excellent
81-90	Good
71-80	Pass
Under 70	Fail

If the incentive object's annual performance comprehensive assessment results correspond to a grade of "pass" and above, the incentive object may satisfy the conditions for vesting rights or may unlock the current restricted stock; If the incentive object's comprehensive assessment result is "failed", the company cancels the current exercise amount of the incentive object according to the relevant provisions of the incentive plan, or repurchase and cancel the share of the restricted stock to be unlocked by the incentive object in the current period.

In the process of awarding stock options and restricted stocks, 17 incentive objects voluntarily waived participation in this incentive plan due to separation or personal reasons. According to the company incentive plan and the agreement signed by the company and the incentive objects, the company adjusted the incentive objects and the number of subsidies accordingly: the number of incentive objects granted to stock options was adjusted from 294 to 277, and the total number of granted stock options was 45 million, it was adjusted to 42.6 million. The number of incentive objects granted restricted stocks was adjusted from 293 to 276, and the total number of restricted stock granted was adjusted from 15 million shares to 14.2 million shares. On February 21, 2017, 42.6 million stock options and 14.2 million restricted stocks were granted for registration at China Securities Depository and Clearing Corporation Limited Shanghai Branch.

After the 2016 profit distribution of the company on May 9, 2017, the exercise price of stock options was adjusted to 15.87 RMB per share, and the repurchase price of restricted stocks was adjusted to 14.73 RMB per share.

On September 11, 2017, the company held its first extraordinary general meeting of shareholders in 2017 and reviewed and approved the 《Proposal for the Company to Cancel Certain Stock Options and Repurchase and Cancellation of Partially Restricted Stocks》, According to the relevant provisions of the "Measures for the management of stock right incentives of listed companies", "Inner Mongolia Yili Industrial company Co., Ltd. stock options and restricted stock incentive plan (draft)". Since one of the incentive targets was elected as an employee supervisor and eight were resigned, no longer eligible for the incentive object, cancelled 1,522,500 stock options that have been granted but not exercised, and repurchased and cancelled 507,500 shares that have been granted but have not been unlocked.

(ii). Payment of shares settled by equity

The method of determining the fair value of the instrument for granting date	(1)The fair value of each stock option adopts the internationally accepted Black-Scholes Model, to evaluate the fair value of stock options, the first one is 4.47 RMB and the second is 5.26 RMB. (2)Fair value of restricted shares per share = The stock price of the grant day-grant price = 17.29 - 15.33 = 1.96(RMB).
The basis for determining the number of Determination of the number of vesting equity instruments	On each balance sheet date of the waiting period, it is estimated based on the latest information on the number of vesting rights and the completion of performance indicators.
The reasons for the significant difference between the current estimated and the previous estimated	None
Cumulative amount of shares paid in equity to be accrued into capital accumulation	94,078,157.46
The total amount of the fee confirmed by the equity settlement of the current period	92,960,957.43

Other notes:

The company will be on each balance sheet day of the waiting period, according to the latest information about the number of feasible rights and the completion of performance indicators, revise the number of stock options which are expected to be feasible, and according to the fair value of the authorized day of stock options, take the services fee obtained in the current period into the related costs or expenses, and adjust the capital reserve accordingly. In 2016, the company confirmed that the equity settlement for the shares paid 1,117,200.03 RMB, 2017 confirmed 92,960,957.43 RMB.

(iii). Payment of shares settled in cash

None

(iv). Revision and Termination of Share Payment

None

XIII. Commitments and Contingencies

(i). Significant Commitments

As of the financial reporting date, there were no other significant commitments except as described in the XI (8) related parties' commitments

(ii). Contingencies as of balance sheet date

As of December 31, 2017, there is no other significant contingencies need be disclosed.

XIV. Subsequent Event

(i). Important non-adjustment events

None

(ii). Profit distribution

Profit or dividend to be allocated	4,254,944,825.60
Profit or dividend issued after consideration of approval	

The company (parent company) has generated net profit of 5,367,521,449.37 in the period, and brought from last year of 5,572,368,892.02, the company has recognised statutory reserve of 536,752,144.94 for the period, and distributed dividend of 3,647,400,064.80. The company has buy back 507,500 shares as a result of nine personal disqualified from restricted stock incentive plan, among the nine personal, one has become employee supervision and the other eight has terminated their contract. According to the Accounting Standards for Business Enterprises and related regulations, 304,500.00 cash dividend will no longer treated as profit distribution. At the balance sheet date, total comprehensive income attributable to shareholder was 6,756,042,631.65.

According to "Law of Corporation" and "Articles of Association", the Company planned to pay 4,254,944,825.60 cash dividend based on the Company's total share of 6,078,492,608 and 7.00 (tax included) every 10 (ten) shares. The company (Parent Company) undistributed profit is 2,501,097,806.05 after the cash dividend.

XV. Other Significant Events

(i). Information from segment

1. Determination basis of reporting division and accounting policy

The company determines its operating segments based on its internal organizational structure, management requirements, and internal reporting system. The company's operating divisions are components that satisfy the following conditions at the same time:



- (1) This component can generate income, expenses incurred in daily activities;
 (2) Management can regularly evaluate the operating results of this component to decide to allocate resources to it and evaluate its performance;
 (3) It is able to obtain the relevant accounting information of the financial status, operating results and cash flow of this component.

The Company determines reporting segments on the basis of operating segments, and operating segments that satisfy one of the following conditions are identified as reporting segments:

- (1) The operating division's income accounts for 10% or more of all division income ;
 (2) The absolute amount of the division's profit (loss) is 10% or more of the larger of the total profits of all profit divisions or of all loss division total losses.

When the proportion of the total external transaction income of the operating segment of the reporting segment determined by the above accounting policy does not reach 75% of the total combined revenue, the number of reporting segments shall increase. According to the following regulations, other operating segments that are not reported as a report segment will be included in the report segment until the ratio reaches 75%:

- (1) Identify the operating segments that the management believes are useful for the accounting information users to disclose the operating segment information as the report segment;
 (2) Consolidate the operating segment with one or more other operating segments that have similar economic characteristics and meet the conditions for the consolidation of operating segments as one reporting segment.

Inter-segment transfer prices are determined by reference to market prices. Assets and related expenses shared with each segment are distributed among different segments in proportion to revenue.

2. Financial information from segment reports

Item	Ending balance /Current Period						
	Liquid milk	Ice-cream	Milk powder and dairy products	Finance Company	Other	Offset between segments	Total
Revenue from Main business	55,766,205,751.55	4,606,067,478.67	6,428,383,353.21				66,800,656,583.43
Revenue from other business	548,649,688.06	45,902,697.38	85,156,269.66		67,084,291.79		746,792,946.89
Interest income				510,174,061.58	550,720.45		510,724,782.03
Cost of Main business	36,155,703,620.97	2,621,674,535.07	2,959,988,264.19				41,737,366,420.23
Cost of other business	512,094,746.26	39,101,280.52	73,840,213.64				625,036,240.42
Interest expenses				141,666.67			141,666.67
Total assets	24,000,351,492.70	4,702,071,534.51	6,274,848,653.48	15,340,074,945.53	31,192,002,137.74	32,208,993,445.82	49,300,355,318.14
Total liabilities	11,935,525,719.38	1,828,457,509.75	2,446,614,997.28	13,286,715,608.19	13,530,969,822.38	18,967,745,844.06	24,060,537,812.92

(ii). Others

1. Guarantee

(1) External guarantee

The company wholly-owned subsidiary Inner Mongolia Huishang Finance Guarantee Co., Ltd.. The total amount of external guarantees accumulated in the present reporting period is 2,176,035,000RMB, as at the end of this report, the balance of guarantee liability is 6,78,341,500 RMB, The number of external guarantee is 739 households, the top five guaranteed persons with the largest external guarantee balances:

No.	Relationship	Balance of guaranteed (Ten thousand)	Guarantee period	Guarantee method	Guarantee events	Financing purposes	The status of the secured party's credit	Whether to perform a counter guarantee
The first	Downstream distributors	2,193.38	6 months	joint liability guaranty	Liquidity Loan	Purchasing products	Good	Yes
The second	Downstream distributors	1,605.63	6 months	joint liability guaranty	Liquidity Loan	Purchasing products	Good	Yes
The third	Downstream distributors	1,570.00	6 months	joint liability guaranty	Liquidity Loan	Purchasing products	Good	Yes
The fourth	Downstream distributors	1,418.38	6 months	joint liability guaranty	Liquidity Loan	Purchasing products	Good	Yes
The fifth	Downstream distributors	1,397.00	6 months	joint liability guaranty	Liquidity Loan	Purchasing products	Good	Yes

2. Company shareholder Hohhot Investment Co., Ltd. pledged company shares

As of the end of this report, Hohhot Investment Co., Ltd. the cumulative pledge of 88.2 million shares of its holding company, accounting for 1.45% of the company's total shares. The pledge has been registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch to handle the pledge registration formalities.

XVI. Notes to major items on financial statements of parent company

Note 1. Accounts Receivable

1. The accounts receivable are disclosed by types

Classification	Ending balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and with individual provision for bad debts	101,246,059.86	11.11	101,246,059.86	100.00	0.00
Provision for bad debts of accounts receivable according to the accrual company	806,053,552.73	88.42	64,484,284.20	8.00	741,569,268.53
Individually insignificant but with individual provision for bad debts	4,251,594.63	0.47	4,251,594.63	100.00	0.00
Total	911,551,207.22	100.00	169,981,938.69		741,569,268.53



Continued:

Classification	Beginning balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and with individual provision for bad debts	95,111,992.84	13.93	95,111,992.84	100.00	0.00
Provision for bad debts of accounts receivable according to the accrual company	585,923,168.34	85.81	46,873,853.48	8.00	539,049,314.86
Individually insignificant but with individual provision for bad debts	1,761,470.21	0.26	1,761,470.21	100.00	0.00
Total	682,796,631.39	100.00	143,747,316.53		539,049,314.86

Description of accounts receivable classification:

(1) Individually significant and with individual provision for bad debts at the end of the period

Company name	Ending balance			Reasons
	Accounts receivable	Provision for bad debts	Percentage	
The first	85,620,565.39	85,620,565.39	100.00	The net assets of subsidiaries are negative and the operating environment is changed, the possibility of recovery is small.
The second	15,625,494.47	15,625,494.47	100.00	The net assets of subsidiaries are negative and the operating environment is changed, the possibility of recovery is small.
Total	101,246,059.86	101,246,059.86		

(2) In Group, provision for bad debts of accounts receivable made according to the percent of balance method

Combination Type	Ending balance		
	Accounts receivable	Provision for bad debts	Percentage (%)
Combination 4	806,053,552.73	64,484,284.20	8.00
Total	806,053,552.73	64,484,284.20	8.00

Description of the basis of the combination:

Receivables with the same nature, similar risk management methods, same credit risk, and similar expected future cash flow inflow ratios are identified as a combination. The combination 4 is mainly the receivable loans from direct distributor and online business.

2. Accrued/recovered or reversed provision for bad debts

Amount of Provision for bad debt is RMB26,234,622.16 for this period; Amount of recovered or reversed provision for bad debts is 0 RMB for this period.

3. No provision for bad debts are written off in this reporting period

4. The top 5 of account receivables of the Group at the end of the balance date

Name	Ending balance	Percentage (%)	Provision for bad debts
The first	128,511,933.47	14.10	10,280,954.68
The second	106,646,556.37	11.70	8,531,724.51
The third	85,620,565.39	9.39	85,620,565.39
The fourth	54,201,899.15	5.95	4,336,151.93
The fifth	54,152,308.44	5.94	4,332,184.68
Total	429,133,262.82	47.08	113,101,581.19

5. No account receivables de-recognition due to transfer of financial assets

6. No transfer of accounts receivable and continued involvement in the formation of assets and liabilities

Note 2. Other Receivables

1. The accounts receivable are disclosed by types

Classification	Ending balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and with individual provision for bad debts					
Provision for bad debts of accounts receivable according to the accrual company	17,567,297.63	50.12	1,497,826.21	8.53	16,069,471.42
Individually insignificant but with individual provision for bad debts	17,481,876.27	49.88	17,481,876.27	100.00	0.00
Total	35,049,173.90	100.00	18,979,702.48		16,069,471.42

Continued:

Classification	Beginning balance				Book value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and with individual provision for bad debts					
Provision for bad debts of accounts receivable according to the accrual company	30,847,609.53	63.84	2,560,251.15	8.30	28,287,358.38
Individually insignificant but with individual provision for bad debts	17,470,308.70	36.16	17,470,308.70	100.00	0.00
Total	48,317,918.23	100.00	20,030,559.85		28,287,358.38



Description of other receivables classification:

(1)In combination, provision for bad debts of other receivables made according to the percent of balance method

Combination Type	Ending balance		
	Other receivables	Provision for bad debts	Percentage (%)
Combination 3	100,480.87	100,480.87	100
Combination 4	17,466,816.76	1,397,345.34	8
Total	17,567,297.63	1,497,826.21	8.53

Description of the basis of the combination:

Receivables with the same nature, similar risk management methods, same credit risk, and similar expected future cash flow inflow ratios are identified as a combination. The combination 3 is the loans of dairy farmers buy cows, the combination 4 is a deposit, guarantee, inter-transaction of supporting the development of dairy households, advances and other normal payments.

2. Accrued: recovered or reversed provision for bad debts

Amount of Provision for bad debt is 0.00 RMB for this period; Amount of recovered or reversed provision for bad debts is 1,048,857.37 RMB for this period.

3. Other receivables written off in this reporting period

Item	Amount
Actual written off	2,000.00

4. Classification of other receivables according to the nature

Item	Ending balance	Beginning balance
Deposit and guarantee	14,010,380.07	11,605,786.28
Advance	19,824,420.21	20,157,306.42
Loans of dairy farmers buy cows	100,480.87	100,480.87
Inter-transaction of supporting the development of dairy households	1,062,807.59	6,158,344.66
Disposal of fixed asset funds	51,085.16	10,296,000.00
Total	35,049,173.90	48,317,918.23

5. The top 5 of other receivables of the classification at the end of the balance date

Name	Nature	Ending balance	Aging	Percentage (%)	Provision for bad debts
					Ending balance
The first	Advance	3,043,496.00	More than 3 years	8.68	3,043,496.00
The second	Deposit and guarantee	2,941,923.00	Within 1 year	8.39	235,353.84
The third	Advance	2,232,400.00	More than 3 years	6.37	2,232,400.00
The fourth	Deposit and guarantee	2,018,738.99	Within 1 year	5.76	161,499.12
The fifth	Advance	2,000,000.00	More than 3 years	5.71	2,000,000.00
Total		12,236,557.99		34.91	7,672,748.96

6. No other receivables related to government subsidies

7. No account receivables de-recognition due to transfer of financial assets

8. No transfer of other receivable and continued involvement in the formation of assets and liabilities

Note 3. Long-term investment

Nature	Ending balance		Beginning balance			
	Book balance	Impairment	Book value	Book balance	Allowance for impairment	Book value
Invest in subsidiaries	21,152,587,366.09	16,565,539.56	21,136,021,826.53	20,081,587,366.09	16,565,539.56	20,065,021,826.53
Invest in associated enterprises and joint ventures	1,746,524,502.88		1,746,524,502.88	1,612,217,447.12		1,612,217,447.12
Total	22,899,111,868.97	16,565,539.56	22,882,546,329.41	21,693,804,813.21	16,565,539.56	21,677,239,273.65

1. Investment in Subsidiary

Name of Investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Amount of impairment for this period	Ending Balance of Allowance for impairment
Baotou Yili Dairy Co., Ltd.	126,878,802.93			126,878,802.93		
Duerbote Yili Dairy Co., Ltd.	208,397,331.92			208,397,331.92		
Langfang Yili Dairy Products Co., Ltd.	33,748,000.00			33,748,000.00		
Inner Mongolia lingxian Food Co., Ltd.	5,317,116.52			5,317,116.52		
Inner Mongolia Qingshan Dairy Co., Ltd.	10,584,208.17			10,584,208.17		10,584,208.17
Tianjin Yili Kangye Industry Frozen Food Co., Ltd.	16,500,000.00			16,500,000.00		
Inner Mongolia Yili Fubeier Dairy Products Co., Ltd.	11,361,345.46			11,361,345.46		
Daqing Yili Dairy Co., Ltd.	5,981,331.39			5,981,331.39		5,981,331.39
Zalantun Yili Dairy Co., Ltd.	11,230,232.00			11,230,232.00		
Zhaodong Yili Dairy Co., Ltd.	130,517,827.26			130,517,827.26		
Inner Mongolia Yili Enterprise Development Co., LTD	6,114,929.41			6,114,929.41		
Xi'an Yili Taipu Drink Co., Ltd.	133,003,100.00			133,003,100.00		
Shuozhou Yili Dairy Co., Ltd.	4,800,000.00			4,800,000.00		
Lindian Yili Dairy Co., Ltd.	40,484,678.30			40,484,678.30		
Qiqihar Yili Dairy Co., Ltd.	24,525,247.18			24,525,247.18		
Chifeng Yili Dairy Co., Ltd.	31,993,214.15			31,993,214.15		
Anda Yili Dairy Co., Ltd.	30,100,000.00			30,100,000.00		
Dingzhou Yili Dairy Co., Ltd.	205,335,036.44			205,335,036.44		
Yili Suzhou Dairy Co., Ltd	320,000,000.00			320,000,000.00		
Jinan Yili Dairy Co., Ltd.	189,999,805.07			189,999,805.07		
Inner Mongolia Jinchuan Yili Dairy Co., Ltd.	160,368,832.01			160,368,832.01		
Inner Mongolia Jinshan Dairy Co., Ltd.	101,698,311.45			101,698,311.45		
Foshan Yili Dairy Co., Ltd.	159,916,647.37			159,916,647.37		
Hefei Yili Dairy Co., Ltd.	265,943,098.69			265,943,098.69		
Liaoning Yili Dairy Co., Ltd.	70,000,000.00			70,000,000.00		
Hubei Huanggang Yili Dairy Co., Ltd.	797,000,000.00			797,000,000.00		
Inner Mongolia ShengTai Investment Co., Ltd.	360,000,000.00			360,000,000.00		
Chengdu Yili Dairy Co., Ltd.	130,000,000.00			130,000,000.00		
Urumqi Yili Food Co., Ltd.	90,000,000.00			90,000,000.00		
Henan Yili Dairy Co., Ltd.	130,550,000.00			130,550,000.00		
Fuxin Yili Dairy Co., Ltd.	46,038,596.00			46,038,596.00		
Duolun Yili Dairy Co., Ltd.	17,000,000.00			17,000,000.00		
Inner Mongolia Jinhai Yili Dairy Co., Ltd.	120,000,000.00			120,000,000.00		
Xilin Hot Yili Dairy Products Co., Ltd.	50,000,000.00			50,000,000.00		
Luanxian Yili Dairy Co., Ltd.	370,000,000.00			370,000,000.00		
Lanzhou Yili Dairy Co., Ltd.	190,000,000.00			190,000,000.00		
Duerbote Jinshan Co., Ltd.	60,000,000.00			60,000,000.00		
Yili International Development Co., Ltd.	1,132,614,659.33			1,132,614,659.33		
Tianjin Yili Dairy Co., Ltd.	100,000,000.00			100,000,000.00		



Name of Investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Amount of impairment for this period	Ending Balance of Allowance for impairment
Shanxi Yili Dairy Co., Ltd.	170,000,000.00			170,000,000.00		
Bayan Nur Yili Dairy Co., Ltd.	15,000,000.00			15,000,000.00		
Zhejiang Yili Dairy Co., Ltd.	100,000,000.00			100,000,000.00		
Tianjin Yili Dairy Products Co., Ltd.	265,000,000.00			265,000,000.00		
Fuxin Yili Dairy Products Co., Ltd.	210,000,000.00			210,000,000.00		
Weifang Yili Dairy Co., Ltd.	480,000,000.00			480,000,000.00		
Ningxia Yili Dairy Co., Ltd.	280,000,000.00			280,000,000.00		
Heilongjiang Yili Dairy Co., Ltd.	365,000,000.00			365,000,000.00		
Zhangbei Yili Dairy Co., Ltd.	130,000,000.00			130,000,000.00		
Guangdong Yili Dairy Co., Ltd.	730,000,000.00			730,000,000.00		
Xianyang Yili Dairy Co., Ltd.	60,000,000.00	100,000,000.00		160,000,000.00		
HongKong Gold Port Commercial Holding Co., Ltd.	6,993,585,015.04			6,993,585,015.04		
Jiyuan Yili Dairy Co., Ltd.	400,000,000.00			400,000,000.00		
Guangxi Yili Frozen Food Co., Ltd.	212,000,000.00			212,000,000.00		
Inner Mongolia Jinderui Trade Co., Ltd.	50,000,000.00			50,000,000.00		
Yunnan Yili Dairy Co., Ltd.	270,000,000.00			270,000,000.00		
Meizhou Yili Frozen Food Co., Ltd.	460,000,000.00			460,000,000.00		
Changchun Yili Frozen Food Co., Ltd.	410,000,000.00			410,000,000.00		
Longyou Yili Dairy Co., Ltd.	423,000,000.00			423,000,000.00		
Jinzhong Yili Dairy Co., Ltd.	425,000,000.00			425,000,000.00		
Inner Mongolia Technology Research Institute Co., Ltd.	30,000,000.00			30,000,000.00		
Yili Finance Co., Ltd.	1,000,000,000.00			1,000,000,000.00		
Inner Mongolia Huishang Finance Guarantee Co., Ltd.	300,000,000.00			300,000,000.00		
Huishang Commercial Factoring Co., Ltd.	300,000,000.00	300,000,000.00		600,000,000.00		
Lizhimei (Shanghai) investment Co., Ltd.	100,000,000.00	200,000,000.00		300,000,000.00		
Shenyang Yili Co., Ltd.	5,000,000.00	170,000,000.00		175,000,000.00		
Inner Mongolia Yili Management Consulting Co., Ltd.		1,000,000.00		1,000,000.00		
Inner Mongolia HuiShang Internet micro-loan Co., Ltd.		300,000,000.00		300,000,000.00		
Total	20,081,587,366.09	1,071,000,000.00		21,152,587,366.09		16,565,539.56

2. Invest in associated enterprises and joint ventures

Name of Investee	Beginning balance	Variance			Other comprehensive income Adjustment
		Additon Investment	Reduce Investment	Profit or loss per Equity Method	
I. Joint Venture					
II. Associated Enterprises					
Shandong Xinjufeng Technology packaging Co., Ltd.	116,200,077.10			18,259,652.34	
China Youran Dairy Holding Limited	1,447,287,486.99			69,424,460.42	
Beijing Jiuyangzhahui Investment Fund Management Co., Ltd.	48,729,883.03			-903,984.61	
Subtotal	1,612,217,447.12			86,780,128.15	
Total	1,612,217,447.12			86,780,128.15	

Continued:

Name of Investee	Variance			Ending balance	Ending Balance of Allowance for impairment
	Other Changes in Equity	Declared cash dividends or profits	Allowance for impairment		
I. Joint Venture					
II. Associated Enterprises					
Shandong Xinjufeng Technology packaging Co., Ltd.		5,016,674.88		129,443,054.56	
China Youran Dairy Holding Limited			52,543,602.49	1,569,255,549.90	
Beijing Jiuyangzhahui Investment Fund Management Co., Ltd.				47,825,898.42	
Subtotal		5,016,674.88	52,543,602.49	1,746,524,502.88	
Total		5,016,674.88	52,543,602.49	1,746,524,502.88	

Note 4. Operating revenue and Operating cost

1. Operating revenue and Operating Cost

Item	Current Period		Last Period	
	revenue	Cost	revenue	Cost
Main business	66,496,675,309.82	49,144,822,080.36	58,930,248,326.58	43,992,160,886.90
Other business	1,769,142,255.43	1,716,595,412.54	1,667,547,777.68	1,609,976,780.97
Total	68,265,817,565.25	50,861,417,492.90	60,597,796,104.26	45,602,137,667.87

Note 5. Investment profit

Item	Current Period	Last Period
Gains on long-term equity investment using cost accounting method	2,620,298,872.36	1,924,586,737.42
Gains on long-term equity investment using the equity accounting method	86,780,128.15	-7,659,010.08
Gains on disposing long-term equity investment		399,030,390.72
Profit from the financial assets which are measured at their fair values and the variation of which is recognized in profit or loss in current period;		
Profit from disposing the financial assets which are measured at their fair values and the variation of which is recognized in profit or loss in current period;		
Gains on holding held-to-maturity investments		
Gains on holding available-for-sale financial assets	38,571,235.42	125,085,695.75
Gains on disposing available-for-sale financial assets		
Profit from the re-measurement at fair value of residual equity after loss of control right		
Proceeds from entrusted Loan	15,047,680.83	5,213,938.65
Total	2,760,697,916.76	2,446,257,752.46



XVII. Supplementary information

(i). Extraordinary gain or loss in the current period

Item	Amount	Description
Gain or Loss from disposal of non-current assets	-9,052,222.31	
Tax refunds, deductions from unauthorized approval, or approval without formal documents, Government subsidies recognized in the current profit or loss (except those government subsidies closely related to normal business, complying with the provisions of government policy and continually obtaining according by certain standard or quantity)	849,342,304.85	
The fund possession charge to non-financial enterprises recognized in the current profit or loss		
Yield from the cost spent to obtain the subsidiaries, associates and joint enterprises which is less than the fair value of the identifiable net assets for invested enterprise		
profit or loss of exchanging non-monetary asset		
Profit or loss on entrusted investment or management of assets		
Due to force majeure factors, for example impairment of assets due to natural disasters		
Profit or loss due to debts restructuring		
Enterprise restructuring charges, Such as staffing spending, integration costs, etc.		
Profit or loss on unreasonable trading prices which beyond the fair value		
The profit or loss from the beginning of the period to the date of the merger for consolidated subsidiaries under the same control		
The profit or loss from contingent events non-related to the company's major business		
Except the normal operation of the business related to the effective hedging, the variation of the fair value recognized as profit or loss by holding trading financial asset and financial liability, and the Investment profit obtained on disposal of trading financial asset, trading financial liability and available-for-sale financial asset, are recognized		
Reversal of individual impairment test on account receivables	105,194.30	
Profit or loss on entrusted loan		
profit or loss from variation in fair value of investment real estate		
The effect of one-time adjustment on the profit or loss in current period according to the requirements of tax and accounting laws or regulations		
custody income		
Other non-operating income and expenses not listed above	-25,236,502.99	
Other profit or loss meet the definition of extraordinary gain or loss		
Income tax effect	-141,919,430.06	
Minority interest effect amount(after tax)	-603,714.09	
Total	672,635,629.70	

(ii). Return On Equity and Earnings Per Share

Profit during the report period	Weighted average return on equity (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to the company's common stock shareholders	25.22	0.99	0.99
Net profit deducted by extraordinary gain or loss attributable to the company's common stock shareholders	22.40	0.88	0.87

Section XII List of Documents Available for Inspection

- I. Financial statements signed with seals affixed by the legal representative, the person in charge of accounting fairs and the person in charge of the accounting department of the Company;
- II. Original copy of the auditors' report bearing the seal of the accounting firm as well as the signatures and seals of the certified public accountants;
- III. Original copies of all the documents of the Company that are disclosed on the CSRC-designated newspapers as well as the original scripts of its announcements during the reporting period; and
- IV. Other relevant documents.

Chairman: Pan Gang (潘刚)
Approved by the Board on: 25 April 2018

Amended Information
 Applicable Not Applicable

Inner Mongolia Yili Industrial Group Co., Ltd.
April 25, 2018