



2018 ANNUAL REPORT



内蒙古伊利实业集团股份有限公司董事长：

潘刚

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. The director who was unable to attend the Board meeting in person.

Title	Name	Explanation	Trustee name
Director	Zhang Junping	Mr. Zhang was unable to attend the Board meeting in person with cause.	Pan Gang

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.[2019]001178” issued by Da Hua Certified Public Accountants (Special General Partnership), the Company (parent company) recorded a net profit of RMB6,230,745,244.14 for the year 2018 (in addition to the undistributed profit of RMB6,756,042,631.65 at the beginning of the year), appropriated RMB623,074,524.41 from the statutory surplus reserve and distributed dividend in the amount of RMB4,254,944,825.60 for the year 2017. For the year under review, due to the resign of some employees under equity incentives plans, the distributed cash dividend of RMB1,095,250.00 shall no longer be recognized as profit distribution. As at the end of the reporting period, total comprehensive income attributable to shareholder was 8,109,863,775.78.

According to “Law of Corporation” and “Articles of Association”, the Company planned to pay 4,254,689,325.60 cash dividend based on the Company’s total share of 6,078,127,608 and 7.00 (tax included) every 10 (ten) shares. The company (Parent Company) undistributed profit is 3,855,174,450.18 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





荷兰合作银行全球乳业 20 强榜单 ——

蝉联亚洲第一 打造世界标杆

1000 多项检验检测，
涵盖原料奶、原辅材料及各类产品，
用“苛刻”守护品质，
成为全球著名供应商钦佩的新标准。

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



小萨马兰奇先生与董事长潘刚在北京奥博会开幕式上握手



董事长潘刚在哈佛大学为全球农业届高管授课



董事长潘刚颁发总裁特别奖



董事长潘刚向公司 2018 年新员工代表授旗

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	Qiu Xiangmin(邱向敏)	Zhao Jie(赵洁)
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	qxm@yili.com	jzhao@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 the CSRC for publishing annual reports	http://www.sse.com.cn
Annual reports available at	Office of the Board of Directors 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	2018	2017	Increase/Decrease compared with the corresponding period of last year (%)	2016
Operating revenue	78,976,388,687.29	67,547,449,530.32	16.92	60,312,009,671.16
Net profit attributable to the shareholders of the listed company	6,439,749,610.82	6,000,884,926.88	7.31	5,661,807,747.14
Net profit attributable to the shareholders of the listed company after deducting non-recurring gains and losses	5,878,050,473.25	5,328,249,297.18	10.32	4,526,898,436.24
Net cash flows from operating activities	8,624,771,799.80	7,006,297,178.98	23.10	12,817,325,815.25
	As at the end of 2018	As at the end of 2017	Increase/Decrease compared with the end of the corresponding period of last year (%)	As at the end of 2016
Net assets attributable to the shareholders of the listed company	27,915,583,839.88	25,103,389,199.94	11.20	23,081,766,710.88
Total assets	47,606,204,460.43	49,300,355,318.14	-3.44	39,262,272,885.74

(II) Principal financial indicators

Principal financial indicators	2018	2017	Increase/Decrease compared with the corresponding period of last year (%)	2016
Basic earnings per share (RMB/share)	1.06	0.99	7.07	0.93
Diluted earnings per share (RMB/share)	1.06	0.99	7.07	0.93
Basic earnings per share after deducting non-recurring gains and losses (RMB/share)	0.97	0.88	10.23	0.75
Weighted average ROE (%)	24.33	25.22	Decreased by 0.89 percentage points	26.58
Weighted average ROE after deducting non-recurring gains and losses (%)	22.21	22.40	Decreased by 0.19 percentage points	21.25

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 2018 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	19,575,653,902.94	20,012,865,820.64	21,257,756,990.76	18,130,111,972.95
Net profit attributable to the shareholders of the listed company	2,100,235,524.40	1,345,595,399.07	1,601,987,824.20	1,391,930,863.15
Net profit attributable to the shareholders of the listed company for deducting non-recurring gains and losses	1,997,947,007.12	1,230,075,421.14	1,459,551,330.92	1,190,476,714.07
Net cash flows from operating activities	1,670,064,865.11	3,612,632,674.04	2,492,900,188.01	849,174,072.64

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

Applicable Not applicable



专注营养研究
只为好吸收

17年探秘中国宝宝营养
α + β 创新蛋白组合

金领冠品牌代言人



倡导母乳喂养

X. Non-recurring Gains and Losses and Amounts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB				
Item of non-recurring gains and losses	2018	Note (if applicable)	2017	2016
Profit or loss from disposal of non-current assets	-85,047,999.60		-9,052,222.31	51,869,775.41
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)	832,019,423.61		849,342,304.85	1,058,264,981.47
Fund possession cost of non-financial enterprises recognized in the current profit or loss				
Gains generated by the Company when cost spent on acquiring subsidiaries, associates and joint enterprises is less than the fair value of the identifiable net assets of investees upon acquisition				63,458,504.64
Profit or loss from exchange of non-monetary assets				
Profit or loss from entrusted investment or management of assets				
Provisions for asset impairment due to force majeure factors such as natural disasters				
Profit or loss from debt restructuring				
Corporate restructuring charges, such as employee settlement fees, integration costs, etc.				
Profit or loss from transactions with obvious unfair transaction price				
Net profit or loss of subsidiaries acquired through business combination under the same control from the beginning of the period to the date of combination				
Profit or loss from contingent events non-related to the Company's normal operations				
Except for the normal operations associated with Company's effective hedging business, profit or loss from changes in fair value of held for trading financial assets and held for trading financial liabilities, as well as investment income from the disposal of held for trading financial assets, financial liabilities and available for sale financial assets	378,925.66			194,293,802.29
Reversal of the provision for receivables that had been subject to individual impairment assessment	115,950.00		105,194.30	2,710,611.81
Profit or loss from external entrusted loan				
Profit or loss from changes in fair value of investment real estate that is subsequently measured at fair value				
Effect of one-time adjustment on profit or loss for the period according to the laws or regulations in relation to tax and accounting				
Custody income from entrusted operations				
Other non-operating income and expenses not listed above	-66,904,123.08		-25,236,502.99	17,419,536.91

Item of non-recurring gains and losses	2018	Note (if applicable)	2017	2016
Other profit or loss items meet the definition of non-recurring gains or losses				
Effect on minority shareholders' interest	3,285,009.94		-603,714.09	-2,789,501.49
Effect on income tax	-122,148,048.96		-141,919,430.06	-250,318,400.14
Total	561,699,137.57		672,635,629.70	1,134,909,310.90

XI. Items Measured at Fair Value

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Ending balance	Change for the period	Effect on profit for the period
Available-for-sale financial assets	44,178,352.50	328,195,583.11	284,017,230.61	
Financial assets at fair value through profit or loss for the period		498,843.46	498,843.46	
Total	44,178,352.50	328,694,426.57	284,516,074.07	

XII. Others

Applicable Not applicable

Section III Business Overview

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

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

1. Business scope

During the reporting period, the Company mainly engages in processing, manufacturing, and sale of various dairy products and healthy drinks. It possesses a few series of product offerings, including liquid milk, milk beverage, milk powder, ice cream, yogurt, healthy drink and cheese. During the reporting period, the products of the Company are mainly for domestic market sale, expect for some for export.



2. Business models

(1) Business model: During the reporting period, based on the division of product series and services, the Company has established six segments of product operation, namely, liquid milk, milk powder, ice cream, yogurt, healthy drink and cheese, each with its own business department. Under the strategic planning and professional management of the Company, those business departments are engaged in production, supply and sales operations in their respective business areas.

(2) Procurement model of raw materials: The Company collectively procures the principal raw and auxiliary materials through tender so as to promote its efficiency of funds usage and bargaining power.

(3) Procurement and supply model of raw milk: Through capital or technical cooperation and by offering embedded service, the Company plays an exemplary role of leading enterprises in agricultural industrialization. It establishes an interest community among milk suppliers, stabilizes and increases milk supply as well as meets demand for dairy production.

(4) Production model: Pursuant to several industrial regulations like the Entry Conditions of the Dairy Product Processing Industry (《乳制品加工行业准入条件》) and the Industrial Policies on the Dairy Product Industry (《乳制品工业产业政策》), the Company follows the “Global Networking” scheme to deploy its production base, strictly complies with the product quality and safety standards, and provides products and services both domestically and overseas.

(5) Logistics and delivery models: The Company uses big data technologies to scientifically plan logistics transportation routes and storage nodes. Through cooperating with third parties (logistics service providers) and relying on information technology platforms and services, the Company can respond customers' demand quickly and accurately.

(6) Sales model: the Company combines the distribution model with the direct sales model to achieve channel expansion targets as well as the standardized and normalized business management of terminal stores.

(7) Management and control models of overseas business: Oceania Dairy Limited, a subsidiary of the Company, is mainly engaged in the production and sale of milk powder and liquid milk; and PT. Green Asia Food Indonesia, a subsidiary of the Company, is mainly engaged in selling ice cream and various dairy products in Indonesian market. The Company is responsible for the planning of general coordination and the design of operation process of oversea business.

3. Key performance drivers

In recent years, the Company has remained its commitment to the principle that “Yili Means Quality” put forward by Chairman Pan Gang and the “Quality Leadership” strategy, with continuous innovation to serve for and meet consumer demands as well as actively

promote the sustainable 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 sales revenue with a year-on-year increase of 34.3% from key products such as “Satine”, “Ambrosial”, “Changyi 100%”, “Chang Qing”, “Joy Day”, “Pro-Kido”, “Chocliz” and “Gemice”. In the same period, sales revenue attributable to new products was 14.8%, representing an increase of 5.6 percentage points compared with the same period of last year.

During the reporting period, the Company actively responded to the Belt and Road Initiative and vigorously expanded its international business. Against this backdrop, our products has been exported to and landed in Indonesian market, gaining popularity among local consumers. Dual driving forces of innovation and internationalization provide strong guarantee for the Company's sustainable business growth.

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

1. Development stage and cyclical characteristics of the industry

After nearly two decades of development, the domestic dairy industry has entered into a stable development stage following a period of rapid growth. Currently, with continuous improvement of per capita income of urban and rural residents, consumers' demand motives and purchasing ways for dairy products become more and more diversified, boosting the steady development of the domestic dairy market.

Dairy products and healthcare drinks are popular consumer goods with no conspicuous cyclical characteristics for the industry.

2. Industrial position of the Company

During the reporting period, the Company seized the opportunity and adopted precise marketing to diversify its business and advance the international business, thus achieving sustained business growth as a whole. According to “Global Dairy Top 20 of 2018”, a list released by Rabobank, the Company continued to lead the Asian dairy industry.

During the reporting period, survey data of Nielsen showed that the Company's market share of the ambient and chilled liquid milk business in terms of retail sales was 36.8% and 16.6% respectively, representing an increase of 2.3 percentage points and 0.5 percentage points when compared to last year respectively; and its infant formula milk powder business's market share was 5.8%, representing an increase of 0.6 percentage points when compared to last year.

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

By adhering to the development ideas of “gathering all energy from the whole world, persisting in innovation and better serving consumers with quality resources around the world” for many years, the Company gained a foothold in the domestic dairy market and took full advantage of global resources to promote innovation in the whole industrial chain, in an active effort to build and strengthen the capability of securing dairy resources from the globe.

During the reporting period, the Company maintained cooperative relationships with over 100 suppliers from a number of nations and regions in many industries including raw and ancillary materials, product packaging and intelligent devices and worked together to improve product quality.

2. An advantageous capacity layout with strategic collaboration

During the reporting period, “Satine” New Zealand-imported milk and “Perfectlands” milk produced by the Company's production base in Oceania had been launched to the domestic market; “Joy Day” ice cream of the Company had been introduced to the Indonesian market; and the Company acquired THE CHOMTHANA COMPANY LIMITED, the biggest ice-cream company in Thailand in November 2018.

By the end of December 2018, the consolidated annual production capacity of the Company was 10.94 million tonnes. With nutritional and healthy qualities, rich and unique flavours and vibrant product image, the Company's products have won more and more trust from consumers at home and abroad. During the process of integrating global resources and serving the global market, the Company has grown an edge in strategic collaboration in the global industrial chain layout.

3. An exceptional brand advantage

During the reporting period, the list of BrandZ™ Top 100 Most Valuable Chinese Brands indicated that “Yili” brand sustained its top position in the most valuable Chinese brands of the food and dairy industry.

Over the years, in line with the brand building planning and through the brand upgrade as well as precise marketing, the Company constantly increases the interaction with consumers, making Yili brand more and more popular. During the reporting period, the Company owns the parent brand “Yili” and over 20 sub-brands, of which 11 brands have an annual sale income of more than RMB1 billion, respectively.

4. A sound capability in channel penetration

During the reporting period, the channel penetration capability of the Company's products in the domestic market continued to increase, driving the market share to grow steadily. Survey data from Kantar indicated, as of December 2018, the market penetration rate for the Company's ambient liquid dairy products was 82.3%, representing an increase of 2.2 percentage points compared with the same period in the last year. During the reporting period, the Company directly controlled 608,000 village-level outlets, representing an increase of 14.7% over the previous year.



5. Leading capability in product innovation

In recent years, the Company regards innovation as the kinetic energy of its development, and puts forward the development concept of “innovation incubates future while intelligence makes the world connected” to promote the innovation and development of the dairy industry. As of December 2018, the Company had obtained a total of 2,383 patent licenses including 497 for invention patents. In addition, the Company won the Chinese Patent Excellence Award for four of its existing patents.

In November 2018, the Company published the White Paper on Breast Milk Research (《母乳研究白皮书》), unveiling the important role of nucleotides in breast milk in infants' immune function, intestinal maturation and brain development. The findings are of significance for improving the infant formula milk powder and the breast milk research and represent the latest results of the Company in integrating global intellectual resources.

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

During the reporting period, as it pushed forward its systems in three areas, namely, “global resources, global innovation, and global market”, the management of the Company was active to benchmark against world-class companies. The Company, by combining innovative practices of international business in recent years, continued to extend the international perspective of its management team and cultivate their professional capabilities. For the same period, the Company promoted the fusion of diversified cultures by enhancing its corporate culture and further boosted the team's management capability under the goal of pursuing excellence.



Section IV Discussion and Analysis on Operations

I. Discussion and Analysis on Operations

In recent years, the domestic economy maintained a steady growth trend. The percentage of final consumption expenditure in GDP has been continually increasing, and the role of consumption in driving the growth of China's economy was significantly enhanced, bringing good development opportunities to the whole dairy industry.

1. During the reporting period, the General Office of State Council issued the “Opinions on Revitalization of Dairy Industry and Ensuring Safety and Quality of Dairy Products” (《关于推进奶业振兴保障乳品质量安全的意见》) with the aim of guiding enterprises in adjusting and actively arranging milk sources so as to reduce farming costs and promote the healthy growth of the domestic dairy industry from the perspective of policies. For the same period, as the state commenced the implementation of the rural areas revitalization strategy, governments at various levels introduced a series of policies to facilitate the implementation of such strategy. The above policies have provided new growth opportunities to domestic dairy consumption in addition to support to the revitalization and development of rural economy.

2. With the increasing health awareness of citizens, the nutritional, functional and organic foods markets have boomed. During the reporting period, survey data from Nielsen indicated that the retail sales of the adult milk powder segment and the organic dairy products segment increased by 16.7% and 16.4% respectively compared with the same period of the previous year. For the same period, the retail sales of infant formula milk powder segment increased by 15.8% compared with the same period of the previous year.

3. During the reporting period, uncertainties over the global economic landscape and growth trend increased. Due to the Sino-US trade friction, procurement costs of raw materials for partial imported dairy products rose. At the same time, dairy companies would confront the pressure from increasing prices of domestic milk sources, packaging materials and other raw and ancillary materials,





resulting in the growth of overall profit in the industry being lower than that of income. For details, please refer to the section headed “Analysis on Industry Operating Information” .

4. In recent years, driven by the internet and big data application technology and represented by rapid product iteration and innovation as well as digitalized precision marketing, the new retail model featuring in-depth integration of online services, offline experience and modern logistics has seen fast growth. Therefore, efficient marketing, rapid response to the market and accurate servicing capabilities, coupled with insight and recognition of consumers' differentiated demands, have posed new challenges for the development of traditional enterprises.

II. Business Operation during the Reporting Period

During the reporting period, the Company continued to seize the growth opportunities of dairy product market, with a principle of “Yili Means Quality” and the “Quality Leadership” strategy. Seeking breakthroughs with its innovation development and international business, Yili sustained the growth of its business and executed its policy of “Precise Marketing, Lean Operation and Precise Management” .

During the reporting period, the Company recorded total revenue of RMB79.553 billion and net profit of RMB6.452 billion, representing an increase of 16.89% and 7.48% over the same period of last year respectively.

During the reporting period, revenue of the liquid milk series, the milk powder and dairy products series and the ice cream products series increased by 17.78%, 25.14% and 8.49% respectively over the previous year.

The implementation of the Company's 2018 operational plans is as follows:

1. Committed to “Yili Means Quality” , and 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, through benchmarking against the globally leading food safety prevention and control and quality compliance audit system and integrating new ISO9001:2015 standards and excellent performance evaluation criteria, the Company has made continuous improvement in the food safety risk monitoring database and risk identification management and control model and acquired more new technologies and new methods regarding risk prevention and control, further improving the efficiency of food safety risk prevention and control.

During the reporting period, by focusing on quality control in the overall operation process and through the process identification and audit, the Company established a visual quality management map to promote self-management of quality, effectively ensuring product quality and winning consumers' trust.

2. Following the market development trend, persisting in innovation-driven development and proactively expanding international business to realize sustainable and healthy growth of the overall business.

During the reporting period, the Company actively responded to the national “Belt and Road Initiative” and vigorously expanded its international business. In September 2018, the Yili European R&D Center was officially upgraded to the Yili European Innovation Center. In the future, such innovation center will serve as a bridge of innovative cooperation between the Company and the world's top research and teaching institutions and will attract more and more industry experts to explore the frontiers of science and technology in the field of healthcare food.

During the reporting period, the Company's “Joy Day” ice cream was successfully launched in several cities of Indonesia. The product was among the first high-quality products developed after market research and elaborate research and development for Indonesia and other Southeast Asian markets as an important step in implementing the international strategy. In November 2018, the Company acquired THE CHOMTHANA COMPANY LIMITED, the biggest local ice-cream company in Thailand. The Company's internationalization pace has been constantly accelerating from “Global Networking” to “Global Intelligence Chain” and further to the “Let the World Share Health”.

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

In recent years, under the trend of consumption upgrading, organic products have been favored by consumers. Taking this opportunity, the Company continued to advance the organic products business with organic product series such as “Satine”.





“Changqing” and “QQ Star”, which currently enjoys satisfactory growth. During the reporting period, survey data from Nielsen showed that the Company's organic products ranked first in the market in terms of retail sales. Among them, in terms of retail sales, the “Satine” organic ambient liquid milk products accounted for 44.1% of the market share, up 8.9 percentage points compared with the previous year.

During the reporting period, the Company continued to explore new models of channel cooperation by vigorously promoting its business development through such channels as e-commerce platforms, maternal-and-infant outlets and convenience stores to drive sales growth. During the reporting period, the Company recorded a 61% increase in the revenue from its e-commerce operation compared with last year. For the same period, survey data from Nielsen showed a 32% year-on-year growth in retail sales through the maternal-and-infant channel, and a 3.7% year-on-year increase in the market share of ambient liquid milk for convenience stores in terms of retail sales.

During the reporting period, under the strategy of adopting both channel development and market penetration, the Company gradually strengthened the control over end-consumer sales by developing new sales points and reinforcing existing sales points. By the end of 2018, the number of end-consumer-sales point of offline liquid milk has reached 1.75 million, representing a 23.2% year-on-year growth. For the same period, the Company attached great importance on promoting the development of the village-and-town market by setting up a village-and-town service system and building a brand new development model for the village-and-town business, and the number of sales points and product coverage had been significantly enhanced.

During the reporting period, the Company upgraded the brand image and launched an upgraded “Yili” brand and VI system. Such brand upgrading was fully integrated with the Company's strategy and culture, aiming to comprehensively build the brand assets of world-class enterprises and facilitate the expedited realization of its vision of “Becoming the World's Most Trusted Health Food Provider”.

4. Building a resource sharing platform to cater to the business development in the new era.

During the reporting period, the Company constructed a milk source quality traceability system and breeding technological service platform through the application of technologies such as the Internet of Thing, big data and mobile terminals to realize the automated receipt of testing information on milk sources along from the production in the pasture, storage and the transportation to factories. At the same time, it effectively promoted the improvement of the operation management level in the pasture.

In recent years, by following the win-win principle in the industrial chain, the Company built a financing platform covering the upstream and downstream of the dairy industry, and took the initiative to provide financing services to partners, promoting the

sustainable and healthy development of the entire chain. During the reporting period, the Company issued financing amount of approximately RMB14.35 billion and provide financing services to 3,593 upstream and downstream partners. Since the official launching of the industrial chain financing business in 2014, the Company has issued accumulated financing amount of approximately RMB28.2 billion and provided services to a total of nearly 4,400 customers.

At the same time, the Company relied on the milk cow school as a platform to actively integrate international high-quality resources, and comprehensively upgraded the training mode of modern pasture talents. The Company developed online courses covering all production links in the pasture such as silage production and health management of milk cows, which had benefited tens of thousands of suppliers. From 2016 to 2018, the Company helped dairy farmers to increase the average daily yield of milk cows by 2 kilograms and lower breeding costs of milk cows per kilogram of milk by RMB0.4, hence helping them to increase their income by over RMB3 billion.

During the reporting period, the Company continuously optimized the consumer research, membership management and supply chain operation systems with the help of big data application technology, and gained a more accurate insight into and met consumers' demand through online and offline information interaction and the cooperative strategy concerning information of enterprises of different types.

5. Acting on and inheriting Yili culture with greater efforts to consolidate the foundation of corporate culture for sustainable development.

During the reporting period, Yili 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.

(I) Analysis of Principal Business

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

Unit: Yuan Currency: RMB

Item	Amount for the current Period	Amount for the same period of last year	Percentage of change (%)
Operating revenue	78,976,388,687.29	67,547,449,530.32	16.92
Operating cost	49,106,034,372.73	42,362,402,660.65	15.92
Selling expenses	19,772,683,750.68	15,521,862,502.34	27.39
Administrative expenses	2,979,735,487.22	3,107,883,480.86	-4.12
R&D expenses	426,873,117.32	209,165,263.62	104.08
Finance expenses	-60,271,167.99	113,485,343.63	-153.11
Net cash flows from operating activities	8,624,771,799.80	7,006,297,178.98	23.10
Net cash flows from investing activities	-5,373,984,091.44	-3,116,811,368.88	N/A
Net cash flows from financing activities	-10,748,984,826.40	4,052,806,623.02	-365.22

2. Analysis of revenue and cost

✓ Applicable □ Not applicable

For the period, the main business revenue from liquid milk products amounted to RMB65.679 billion, representing an increase of RMB9.913 billion over the previous period and a 17.78% year-on-year increase. The cost of its main business amounted to RMB42.553 billion over the period, representing an increase of RMB6.397 billion over the previous period and a 17.69% year-on-year growth. In particular, an increase in sales volume contributed to RMB6.235 billion in revenue growth and RMB4.041 billion in cost increment. Apart from that, product restructuring contributed to a revenue increase of RMB2.747 billion, while changes to sales price resulted in a revenue increase of RMB931 million and an additional cost of RMB2.356 billion was generated by changes to material prices and product restructuring.

During the period, the main business revenue from milk powder and dairy products amounted to RMB8.045 billion, representing an increase of RMB1.616 billion over the previous period and a 25.14% year-on-year growth. The cost of main business amounted to RMB3.638 billion for the period, representing an increase of RMB678 million over the previous period and a 22.91% year-on-

year growth. In particular, an increase in sales volume contributed to RMB1.015 billion in revenue growth and RMB467 million in cost increment. Apart from that, product restructuring contributed to a revenue increase of RMB705 million, while changes to sales price resulted in a revenue decrease of RMB104 million and an additional cost of RMB211 million was generated by changes to material prices and product restructuring. During the period, the main business revenue from ice cream amounted to RMB4.997 billion, representing



an increase of RMB391 million over the previous period and an 8.49% year-on-year growth. The cost of main business amounted to RMB2.745 billion for the period, representing an increase of RMB124 million over the previous period and a 4.71% year-on-year growth. In particular, an increase in sales volume resulted in an increase of RMB124 million and RMB71 million in revenue and cost respectively. Apart from that, product restructuring contributed to a revenue increase of RMB272 million, while changes to sales price resulted in a revenue decrease of RMB5 million and an additional cost of RMB53 million was generated by changes to material prices and product restructuring.

(1) Segment, product and regional operation of principal business

Unit: Yuan Currency: RMB

Principal 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	78,720,560,129.96	48,935,873,688.70	37.84	17.84	17.25	Increased by 0.32 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	65,678,886,360.81	42,552,518,344.81	35.21	17.78	17.69	Increased by 0.04 percentage point
Milk powder and dairy products	8,044,611,247.27	3,638,129,996.17	54.78	25.14	22.91	Increased by 0.83 percentage point
Ice cream products	4,997,062,521.88	2,745,225,347.72	45.06	8.49	4.71	Increased by 1.98 percentage points
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	23,850,999,901.97	15,080,985,683.58	36.77	18.58	21.35	Decreased by 1.44 percentage points
Southern China	21,274,457,522.29	13,417,024,521.90	36.93	15.01	14.39	Increased by 0.34 percentage point
Others	33,595,102,705.70	20,437,863,483.22	39.16	19.18	16.26	Increased by 1.52 percentage points

Description of principal business by segment, product and region

Applicable Not applicable

(2) Table of analysis on production and sales

✓ Applicable Not applicable

Major 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	8,107,138 tons	8,081,286 tons	218,217 tons	11.88	11.18	13.44
Milk powder and dairy products	109,477 tons	109,007 tons	10,833 tons	16.18	15.78	4.52
Ice cream products	398,504 tons	393,087 tons	11,480 tons	4.48	2.70	89.37

Description of production and sales

Not applicable

(3) Table of cost analysis

Unit: Yuan

By Segment							
Industry	Cost component	Amount for the period	Proportion of total cost for the period (%)	Amount of the same period of last year	Proportion in total cost for the same period of last year (%)	Changes in the amount for the period compared with the same period of last year (%)	Explanation
Liquid milk and dairy products manufacturing industry	Direct materials	42,997,821,789.76	87.86	36,564,934,463.46	87.61	17.59	
	Direct labor	1,457,142,451.07	2.98	1,306,646,367.83	3.13	11.52	
	Production expenses	4,480,909,447.87	9.16	3,865,785,588.94	9.26	15.91	
By Product							
Product	Cost component	Amount for the period	Proportion of total cost for the period (%)	Amount for the same period of last year	Proportion in total cost for the same period of last year (%)	Changes in the amount for the period compared with the same period of last year (%)	Explanation
Liquid milk	Direct materials	37,992,556,422.91	89.29	32,272,038,461.80	89.26	17.73	
	Direct labor	1,061,369,757.15	2.49	922,569,092.17	2.55	15.05	
	Production expenses	3,498,592,164.75	8.22	2,961,096,067.00	8.19	18.15	
Milk powder and dairy products	Direct materials	2,962,614,598.24	81.43	2,376,607,476.27	80.29	24.66	
	Direct labor	149,872,363.22	4.12	129,534,545.07	4.38	15.70	
	Production expenses	525,643,034.71	14.45	453,846,242.85	15.33	15.82	
Ice cream products	Direct materials	2,042,650,768.61	74.40	1,916,288,525.39	73.09	6.59	
	Direct labor	245,900,330.70	8.96	254,542,730.59	9.71	-3.40	
	Production expenses	456,674,248.41	16.64	450,843,279.09	17.20	1.29	

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 RMB2,701,188,400, accounting for 3.40% 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 RMB8,623,937,800, accounting for 20.06% of the total annual purchase. Of the aforementioned amount, the purchase from related parties amounted to RMB2,395,667,000, accounting for 5.57% of the total annual purchase.

Other explanations

Not applicable

3. Expenses

√ Applicable □ Not applicable

Unit: Yuan

Item	Amount for the period	Amount for the same period of last year	Amount of change	Range of change
Interest expenses		141,666.67	-141,666.67	-100.00%
R&D Expenses	426,873,117.32	209,165,263.62	217,707,853.70	104.08%
Finance expenses	-60,271,167.99	113,485,343.63	-173,756,511.62	-153.11%
Impairment losses on assets	75,655,773.01	50,623,372.02	25,032,400.99	49.45%

(1)The decrease in interest expenses was due to the interest expenses arising from borrowings from banks and other financial institutions of the subsidiary, Yili Finance Co., Ltd. for the last period, and there was no such business for the period.

(2)The increase in R&D expenses was mainly caused by the increase in expenses incurred by the Company for continuously promoting innovation, study, test and design for the period.

(3)The decrease in finance expenses was mainly due to the decrease in interest expenses and increase in interest income on bank deposits which were due to the decrease in borrowings for the period.

(4)The increase in impairment losses on assets was due to the increase in provision for bad debt losses which was due to the increase in receivable accounts for the period.

4. R&D investment

A Table of R&D Investment

√ Applicable □ Not applicable

Unit: Yuan

R&D investment expensed for the period	426,873,117.32
R&D investment capitalized in the period	36,271,218.33
Total R&D investment	463,144,335.65
Percentage of total R&D investment in operating revenue (%)	0.59
Number of R&D personnel in the Company	364
Percentage of R&D personnel in the total number of personnel of the Company (%)	0.65
Percentage of capitalized R&D investment (%)	7.83



Explanation

✓ Applicable □ Not applicable

The Company continuously promotes innovation work by establishing leading scientific research innovation platforms, upgrading overseas innovation centres and integrating global intelligence resources to focus on research of industrial foundation and key common technologies and further improve ability in product development and technological innovation. The Company continuously strengthens standardization system construction and strategic layout of intellectual property rights by sustainable promoting open innovation, keeping close cooperation with top scientific research institutions in global agriculture, food and life science to further strengthen innovation support and service and continuously develop ability in industry innovation. The Company focuses on talent training and introduction and insists on following market demand by leveraging big data technology to further strengthen the understanding of and the study on the potential demands from consumers. The research results are then applied to product development, technological innovation and innovative support and services, so as to continuously widen research filed and a variety of health products that can satisfy consumer demands, taking the lead in the development of the industry.

5. Cash flows

✓ Applicable □ Not applicable

Unit: Yuan

Item	Amount for the period	Amount for the same period of last year	Amount of change	Range of change
Cash received from interest income, charges and commissions	565,817,378.40	376,048,983.09	189,768,395.31	50.46%
Cash from tax return	1,123,140.80	2,058,059.70	-934,918.90	-45.43%
Net increase in deposits with central bank and inter-bank	-731,619,758.55	578,481,739.38	-1,310,101,497.93	-226.47%
Cash paid for interest expense, charges and commissions		141,666.67	-141,666.67	-100.00%
Cash received from withdraw of investments	1,448,575,837.42	14,522,215.51	1,434,053,621.91	9874.90%
Cash received from investment income	116,056,383.93	53,138,113.89	62,918,270.04	118.41%
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	47,168,526.23	72,802,045.59	-25,633,519.36	-35.21%
Other cash received relevant to investing activities	516,218.89	139,085,711.45	-138,569,492.56	-99.63%
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	5,090,600,464.62	3,351,359,455.32	1,739,241,009.30	51.90%
Cash payments for investments	1,625,000,000.00	45,000,000.00	1,580,000,000.00	3511.11%
Other cash payments related to investing activities	270,700,593.29		270,700,593.29	N/A
Cash received from investments by others	18,000,000.00	217,686,000.00	-199,686,000.00	-91.73%
Cash received from borrowings	4,983,000,000.00	8,460,000,000.00	-3,477,000,000.00	-41.10%
Cash repayments for debts	11,320,000,000.00	750,000,000.00	10,570,000,000.00	1409.33%

(1) The increase in cash received from interest income, charges and commissions was due to increase in interest income and recovered amounts from interest receivable by the subsidiary Yili Finance Co., Ltd. for the period.

(2) The decrease in cash from tax return was caused by the decrease in tax refund received by the subsidiary.

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

(4) The decrease in 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 last period, and there was no such business for the period.

(5) The increase in cash received from withdraw of investments was due to the increase in cost for withdrawal of financial products and available for sale financial assets in the period.

(6) The increase in cash received from investment income was caused by the increase in cash dividends received from CITIC Industrial Investment Fund for the period.

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

(8) The decrease in other cash received relevant to investing activities was due to the decrease in recovery of such time deposits before maturity by the subsidiary, Oceania Dairy Limited, in the period.

(9) The increase in cash paid for acquirement and construction of fixed assets, intangible assets and other long-term assets was mainly due to the increase in cash paid for new projects and projects transformation in the period.

(10) The increase in cash paid for investment was mainly due to purchasing wealth management products in the period.

(11) The increase in other cash payment related to investing activities was due to the pledged repurchase transaction by quotation occurred by the subsidiary Yili Finance Co., Ltd. in the period.

(12) The decrease in cash received from investments by others was due to the cash received from the issuance of restricted shares to equity incentive targets in the previous period, and there was no such business for the period.

(13) The decrease in cash received from borrowings came from less short-term bank borrowings in the period.

(14) The increase in cash repayment for debts was caused by more short-term bank borrowings due for repayment in the 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. Table of assets and liabilities

Unit: Yuan

Item	Ending balance	Ending balance as percentage of total assets (%)	Beginning balance	Beginning balance as percentage of total assets (%)	Percentage of change in the ending balance compared with the beginning balance (%)	Explanation
Cash and cash equivalent	11,051,003,654.02	23.21	21,823,066,175.50	44.27	-49.36	
Financial assets at fair value through profit or loss for the period	498,843.46				N/A	
Notes receivable & Accounts receivable	1,282,126,608.06	2.69	949,737,204.59	1.93	35.00	
Other receivables	154,559,158.76	0.32	233,108,843.82	0.47	-33.70	
Other current assets	5,000,433,575.10	10.50	1,007,391,592.71	2.04	396.37	
Construction in progress	2,686,705,865.46	5.64	1,902,065,636.71	3.86	41.25	
Other non-current assets	1,718,472,140.06	3.61	724,981,891.33	1.47	137.04	
Short-term borrowings	1,523,000,000.00	3.20	7,860,000,000.00	15.94	-80.62	
Non-current liabilities due within one year	33,128,853.96	0.07	24,191,543.48	0.05	36.94	
Long-term payables	133,664,814.17	0.28	64,037,282.56	0.13	108.73	
Deferred tax liabilities	105,918,440.05	0.22			N/A	
Treasury shares	97,462,825.00	0.20	201,690,525.00	0.41	-51.68	
Other comprehensive income	375,236,186.82	0.79	-71,393,317.81	-0.14	N/A	

Other explanations

(1) The decrease in cash and cash equivalent mainly came from the cash outflow of financing and investing activities for the period.

(2) The increase in financial assets at fair value through profit or loss for the period was due to the change in fair value of subsidiary's hedging instrument (forward exchange contracts) in the period.

(3) The increase in notes receivable & accounts receivable was a consequence of the increase in sales accounts receivable from distributors and online retail platforms.

(4) The decrease in other receivables was a consequence of withdrew by the subsidiary Yili Finance Co., Ltd. of the interest of central bank and inter-bank deposit in the period.

(5) The increase in other current assets was mainly due to the interbank business of reverse repurchase of government bonds and pledged repurchase by quotation by the subsidiary Yili Finance Co., Ltd. in the period.

(6) The increase in construction in progress was mainly due to the increase in projects under Beijing Business Operation Centre in the period.

(7) The increase in other non-current assets was mainly due to the increase in advance payment for engineering and equipment and the increase in receivable security funds of the subsidiary Huishang Commercial Factoring Co., Ltd. in the period.

(8) The decrease in short-term borrowings was caused by the repayment for bank borrowings due in the period.

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

(10) The increase in long-term payables was mainly due to the additional entrusted funds used for the alleviation poverty projects in the dairy industry by our subsidiary Huishang Commercial Factoring Co., Ltd. during the current period.

(11) The increase in deferred tax liabilities was due to an increase in the provision made for deferred income tax liabilities as a result of fixed assets deducted on a one-off basis before taxation and an increase in fair value of available-for-sale financial assets in the current period.

(12) The decrease in treasury shares was caused by the unlocking of restricted shares (phase 1) and the cancellation of restricted shares repurchased in the current period.

(13) The increase in other comprehensive income was mainly due to an increase in differences in foreign currency translation of subsidiaries adopting USD as their functional currency as a result of a decline of the exchange rate of RMB to USD in the current period.

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 587 domestic dairy processing businesses were included in the statistic scope for the reporting period, representing a decrease of 24 businesses compared with last year; an aggregate of 26.87 million tons of dairy products were processed and manufactured for the whole year, representing an increase of 4.4% (on a comparable basis) in comparison with last year; total sales income amounted to RMB339.9 billion, representing an increase of 11% (on a comparable basis) in comparison with last year; and total profit amounted to RMB23.0 billion, representing a decline of 1% (on a comparable basis) in comparison with last year.

2. In respect of market consumption, survey data from Nielsen and Syntun suggested that during the reporting period, the overall market (online and offline) retail sales of ambient and chilled liquid dairy products and milk powder increased by 10.6% over the same period of last year, among which, the online and offline retail sales saw an increase of 24.1% and 8.6% year-on-year, respectively.

Analysis on operating information of food industry

1. Breakdown of products during the reporting period

Applicable Not applicable

Products	Production (ton)	Sales (ton)	Inventory (ton)	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	8,107,138	8,081,286	218,217	11.88	11.18	13.44
Milk powder and dairy products	109,477	109,007	10,833	16.18	15.78	4.52
Ice cream products	398,504	393,087	11,480	4.48	2.70	89.37
Total	8,615,119	8,583,380	240,530	16.18	15.78	4.52

The increase in inventory of ice cream products compared with last year came from an increase in product reserve in December 2018 to meet the market demand.

2. The composition of main business during the reporting period

✓ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Principal Business by Product During the Reporting Period						
Product	Operating revenue	Operating cost	Gross profit margin (%)	Increase/decrease in operating revenue 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	65,678,886,360.81	42,552,518,344.81	35.21	17.78	17.69	0.04
Milk powder and dairy products	8,044,611,247.27	3,638,129,996.17	54.78	25.14	22.91	0.83
Ice cream products	4,997,062,521.88	2,745,225,347.72	45.06	8.49	4.71	1.98
Sub-total	78,720,560,129.96	48,935,873,688.70	37.84	17.84	17.25	0.32

Principal Business by Sales Model During the Reporting Period						
Sales model	Operating revenue	Operating cost	Gross profit margin (%)	Increase/decrease in operating revenue compared with last year (%)	Increase/decrease in operating cost compared with last year (%)	Increase /decrease in gross profit margin compared with last year (%)
Dealer sales	76,102,621,923.22	47,525,821,418.05	37.55	17.83	17.38	0.24
Direct sales	2,617,938,206.74	1,410,052,270.65	46.14	18.35	13.08	2.51
Sub-total	78,720,560,129.96	48,935,873,688.70	37.84	17.84	17.25	0.32

Principal Business by Region During the Reporting Period						
Region	Operating revenue	Operating cost	Gross profit margin (%)	Increase/decrease in operating revenue 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	23,850,999,901.97	15,080,985,683.58	36.77	18.58	21.35	-1.44
Southern China	21,274,457,522.29	13,417,024,521.90	36.93	15.01	14.39	0.34
Others	33,595,102,705.70	20,437,863,483.22	39.16	19.18	16.26	1.52
Sub-total	78,720,560,129.96	48,935,873,688.70	37.84	17.84	17.25	0.32
Total	78,720,560,129.96	48,935,873,688.70	37.84	17.84	17.25	0.32

3. R&D expenditure

✓ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Amount of R&D investment	Expensed amount of R&D investment	Capitalized amount of R&D investment	Percentage of R&D investment in operating revenue (%)	Percentage of R&D investment in operating cost (%)	Change of amount in the current period over the same period of last year (%)	Explanation
463,144,335.65	426,873,117.32	36,271,218.33	0.59	0.94	121.43	

4. Profitability of online sales model during the reporting period

□ Applicable ✓ Not applicable

(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
Hulunbeier Shengxin Investment Co., Ltd.	Long-term equity investments	18,660,593.87	10,580.99	18,671,174.86	40.00		
Shandong New Jufeng Technology Packaging Co., Ltd.	Long-term equity investments	129,443,054.56	15,187,420.55	144,630,475.11	18.00		
China Youran Dairy Holding Limited	Long-term equity investments	1,569,255,549.90	130,740,439.12	1,699,995,989.02	40.00		
Beijing Jiuyang Wisdom Investment Fund Management Limited	Long-term equity investments	47,825,898.42	-1,736,423.96	46,089,474.46	30.82		
Chengdu Bank Co., Ltd.	Available-for-sale financial assets	81,250,000.00	180,375,000.00	261,625,000.00	0.90		9,100,000.00
Mianyang Science and Technology City Industrial Investment Fund	Available-for-sale financial assets	75,839,213.54	-7,043,745.18	68,795,468.36	2.22		16,632,226.25
CITIC Industrial Investment Fund Management Co., Ltd.	Available-for-sale financial assets	121,500,000.00		121,500,000.00	5.00		50,000,000.00
Inner Mongolia Yisheng Biotechnology Co., Ltd.	Available-for-sale financial assets	400,000.00		400,000.00	10.00		
Shenzhen Huatai Ruijin Equity Investment Fund Partnership	Available-for-sale financial assets	34,000,000.00	-25,127,006.00	8,872,994.00	10.00		
United Zhongya (Hohhot) Packaging Co., Ltd.	Available-for-sale financial assets	10,418,992.39		10,418,992.39	18.64		
Guokai Boyu Phase I (Shanghai) Equity Investment Partnership	Available-for-sale financial assets	194,233,037.00	-16,405,085.24	177,827,951.76	4.09		40,176,212.48
Hohhot in Haikou Office	Available-for-sale financial assets	50,000.00		50,000.00		50,000.00	
Hohhot Mall Real Estate	Available-for-sale financial assets	300,000.00		300,000.00		300,000.00	
Inner Mongolia Collaborative Innovation Equity Investment Fund Co., Ltd.	Available-for-sale financial assets	20,000,000.00		20,000,000.00	2.70		
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	Available-for-sale financial assets	25,000,000.00	25,000,000.00	50,000,000.00	2.09		
CITICPE Holdings Limited	Available-for-sale financial assets	44,178,352.50	22,392,230.61	66,570,583.11	5.00		
Inner Mongolia Steppe Cultural Film Industry Fund (Limited Partnership)	Available-for-sale financial assets	45,000,000.00		45,000,000.00	9.00		
Total		2,417,354,692.18	323,393,410.89	2,740,748,103.07		350,000.00	115,908,438.73

(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	1,048,319.49	44.75%	181,283.33	469,167.27	Self-funded
Milk powder	77,991.05	62.56%	6,211.85	48,788.12	Self-funded
Ice cream	44,461.56	68.18%	22,121.79	30,315.47	Self-funded
Yogurt	128,704.14	80.95%	49,416.21	104,181.83	Self-funded
Others	236,073.95	63.85%	130,128.17	150,739.37	Self-funded
Total	1,535,550.19		389,161.35	803,192.06	

(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:

Unit: Yuan Currency: RMB

Project	Initial investment cost	Percentage of Shareholding in the Company as at the end of the period (%)	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	7,549,520.00	5.00	44,178,352.50	22,392,230.61	66,570,583.11	
Chengdu Bank Co., Ltd.	81,250,000.00	0.90	81,250,000.00	180,375,000.00	261,625,000.00	9,100,000.00
Arbitrage tools (forward foreign exchange contracts)				498,843.46	498,843.46	
Total	88,799,520.00		125,428,352.50	203,266,074.07	328,694,426.57	9,100,000.00

(VI) Major Assets and Equity Disposal

 Applicable Not applicable

(VII) Analysis of Major Holding and Joint Stock Companies

 Applicable Not applicable

1. Principal subsidiaries

Unit: 0'000 Yuan Currency: RMB

Full name of subsidiary	Business scope	Registered capital	Total assets	Net assets	Net profit
Weifang Yili Dairy Co., Ltd.	Production and sale of dairy products (sterilized milk, modified milk and acidified milk); production and sale of beverages (milk drinks, fortified vitamin AD calcium milk drinks and nutritional fortified yogurt drink); production and sale of ice cream; purchase and sale of agricultural machinery, mechanical and electrical equipment and accessories; purchase 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	137,666	82,908	17,537
Yili Finance Co., Ltd.	Provision of financial advisory services, credit verification and related consultation and agency services to member units; assisting member units in collecting and paying transaction funds; offering approved insurance agency services; providing guarantee to member units; handling entrusted loans between member units; handling bill acceptance and discount for member units; handling internal transfer and corresponding settlement between member units and formulating liquidation plans; absorbing deposits from member units; handling loans and financial leasing for member units; interbank lending; and buyer's credits for products of member units.	100,000	721,129	221,941	38,172
Oceania Dairy Limited	Production, processing and sale of dairy products.	NZD450.56 million	196,631	176,470	-4,834
Inner Mongolia Kindairy Trading Co., Ltd.	Sale of pre-packaged foods and dairy products (excluding infant formula milk powder) (operation under the Food Circulation Permit); sale of livestock and poultry products, forage grass, agricultural and sideline products (excluding grain purchase) and mechanical equipment; and self-operation and agency of importing and exporting various goods.	5,000	195,295	13,428	783

Full name of subsidiary	Business scope	Registered capital	Total assets	Net assets	Net profit
Hubei Huanggang Yili Dairy Co., Ltd.	Production and sale of beverages (protein beverages), dairy products (liquid milk, sterilized milk and modified milk), freezing drinks (ice cream, ice frost, ice lolly, edible ice and sweet ice), plastic containers for foods and cakes and pastries(baked cakes); Purchase and sale of raw and fresh milk; production of nitrogen for food (operated by branches with valid licenses); production and sale of relevant raw and auxiliary materials as well as packaging materials, and import of production equipment; and import and export of goods.	79,700	177,235	112,582	13,282
Hong Kong Jingang Trade Holding Co., Limited	Trade and investment.	USD1,048.24 million	704,341	704,782	11,930
Dingzhou Yili Dairy Co., Ltd	Production of dairy products (liquid milk (sterilized milk and modified milk) and other dairy products (cream)), beverages, plastic packaging containers and tools for food, freezing drinks (ice cream, ice frost, ice lolly and sweet ice) and cakes and pastries; purchase and sale of milk; sale of packaging materials and dairy equipment; and import and export of goods and technologies.	20,500	136,617	50,347	17,922
Ningxia Yili Dairy Co., Ltd.	Production and sale of dairy products (liquid milk (sterilized milk, modified milk and pasteurized milk) and other dairy products (cream, single cream and specialty dairy products)), beverages (protein beverages and milk drinks) and fermented milk; production and sale of relevant raw and auxiliary materials and packaging materials; purchase and sale of agricultural machinery, mechanical and electrical equipment and accessories; purchase and sale of agricultural products; and self-operation and agency of importing and exporting various goods and technologies.	28,000	186,692	104,682	23,868
Huishang Commercial Factoring Co., Ltd.	Factoring (not bank financing).	200,000	279,540	205,542	3,019
Hefei Yili Dairy Co., Ltd.	Feeding of dairy cattle and purchase and sale of milk; production and sale of milk, dairy products (excluding infant formula milk powder) , beverages and freezing drinks; sale of pre-packaged foods; sale of mechanical equipment; production and sale of relevant raw and auxiliary materials as well as packaging materials; export of self-owned products and technologies and import of necessary raw and auxiliary materials and technologies (excluding goods and technologies banned from operating or importing and exporting by the state; production and sale of plastic products; production of food additives; and production and sale of bean products.	26,500	171,555	84,016	12,504

2. New subsidiaries

Unit: 0'000 Yuan Currency: RMB

Name of subsidiary	Business scope	Method of acquisition	Registered capital	Net assets as at the end of period	Net profit for the period
Daqing Yili Dairy Co., Ltd.	Production and sale of liquid milk, purchase of milk, import and export of production mechanical equipment, meters, instruments, components and raw and auxiliary materials, and production and sale of production materials for dairy products.	Establishment by investment	2,000.00	1,999.08	-0.92

3. Former subsidiaries

Name of subsidiary	Reason for disposal
Daqing Yili Dairy Co., Ltd.	Cancellation
Anda Yili Dairy Co., Ltd.	Transfer
Shuozhou Yili Dairy Co., Ltd.	Transfer
Zhalantun Yili Dairy Co., Ltd.	Transfer

(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, the development characteristics of the domestic dairy industry are as follows:

1. As the purchasing power of domestic consumers will continue to rise with steady growth of the macro economy, there will be large development space for healthy and convenient foods of high quality, and the dairy consumption will continue to upgrade; meanwhile, the iteration and innovation circle will become increasingly shorter whereby the market tends to be segmented and new products become the important impetus for the industry growth.
2. With respect to the population size and structure tendency, the scale of infants goes downward with a tendency of the aging population, and the post-90s generation is playing a dominant role in consumption. Given the above, the growth of the infant food industry entails quality upgrade and differentiated services, and foods related to adults' healthcare and nutrition are expected to see fast growth.
3. As the domestic urbanization process continues, the urban population grows and the gaps of income as well as consumption level between urban and rural residents are narrowing, coupled with the innovative development of E-commerce and new retailing mode, the consumption scale of dairy products and other healthy foods will be further elevated.
4. As the global economy tends to be integrated, the healthy food market is of promising prospects while the enterprises will be confronted with fierce market competition and uncertainty risks brought by trade policies.

(II) Development Strategies of the Company

Applicable Not applicable

The vision of the Company: becoming the most reliable healthy food provider in the globe.

During the reporting period, the Company has fully upgraded its middle-and-long-term strategies. In the future, the Company will launch multiple products covering different areas in the health industry, in an effort to become the leader in the development of health industry as well as the most reliable healthy food provider for consumers.

Going forward, the Company will remain guided by the strategic goal of becoming “Top 5 Global Dairy Companies” and stay committed to its principle that “Yili Means Quality” and execute the following strategic initiatives on top of the “Quality Leadership” strategy:

1. Based on the dairy as the core business, set foot in other health products such as vegetable protein drinks and functional drinks, in order to accelerate the strategic layout for healthy food business.
2. By seizing major development opportunities such as “the Belt and Road Initiative”, rural vitalization and consumption upgrade, aggregate premium resources from all over the globe and spare no efforts to expand the overseas market.
3. With a view to better satisfying consumers' demands, upgrade relationships with business partners and build an enterprise-level ecosystem.
4. In line with trends of scientific and technological advancement and innovation, continues to facilitate the upgrading of the Company's digital strategies and build smarter and more effective operation capacity in a systematic way.
5. Aggregate premium resources from all over the globe and set up an innovation platform attracting elites globally to create world-

renowned healthy food brands and become a global enterprise with world influence.

6. Continue to 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

Based on the development of the industry, the Company plans to achieve total revenue of RMB 90 billion and profit before tax of RMB 7.6 billion for the year 2019.

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

To fully meet the business objective for 2019, the Company will place its emphasis on the following aspects:

1. Stay committed to the principle that “Yili Means Quality” , with further enhancement of the world-leading whole-chain end-to-end independent quality management system and the efficient risk prevention and control system.
2. Accelerate the innovation process, maintain the leading role of innovation in the development and actively explore brand new product innovation and channel management models from the perspective of satisfying consumers' demands, in order to deliver sustainable and healthy growth of the Company's business.
3. Hold fast to the international development path and focus on and intensify the critical capacities in the international business through building an operation management platform and a talent team for the international business, in order to provide support for the efficient development of the Company's overall business.
4. Leverage on big data technology to enhance the information construction and application ability and achieve innovations in the business and management driven by data.
5. Continue to uphold the guideline of “Precise Marketing, Lean Operation and Precise Management” to cultivate outstanding operational capabilities.
6. 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 2019, the Company plans to invest RMB 25,376,434,700 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

1. Industrial risks

Affected by changes of international trade policies and the RMB to US exchange rate, the dairy supply and demand as well as the industrial growth at home and abroad in the future are still subject to various uncertainties. The Company will monitor changes in the market environment in order to take timely countermeasures.

2. Financial risks

The Company's overseas business is more susceptible to exchange rate, trade policies and tariff fluctuations with the continuous advancement of its international strategy, and it will continue to enhance risk prevention and further improve the internal control system in subsequent periods.

3. Product quality risks

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

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用创新缔造品质，
让宝宝享有全球优质资源的呵护。



Section V Important Matters

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

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

Applicable Not applicable

On 31 May 2018, the 2017 Profit Distribution Proposal of the Company was reviewed and passed at the 2017 Annual General Meeting of Stockholders of the Company, which sets out the distribution of cash dividend of RMB7.00 (tax inclusive) for every 10 shares to all shareholders based on the total share capital of 6,078,492,608 shares as of 14 June 2018 (the share record date for the purpose of profit distribution), with total cash dividend of RMB 4,254,944,825.60 distributed. The Announcement on Implementing the 2017 Annual Equity Distribution of Inner Mongolia Yili Industrial Group Co., Ltd. was published on China Securities Journal, Shanghai Securities News and the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) on 11 June 2018.

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 or 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 (%)
2018	0	7.00	0	4,254,689,325.60	6,439,749,610.82	66.07
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

(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 the positive profit available for allocation to the shareholders of ordinary shares, the Company shall disclose in details 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

(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 explain whether the assets or projects have met its original profit forecast and the reasons thereof

Met Not met Not applicable

(III) Fulfilment of Performance Undertakings and Its Effects on the Goodwill Impairment Test

Applicable Not applicable

III. Utilization and Settlement of Funds during the Report 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	150
Audit term of domestic accounting firm	23

	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
<p>On 25 April 2018, the Company held the third meeting of the ninth Board of Directors, during which the “Proposal on Cancellation of Partial Stock Options and Repurchase and Cancellation Partial Restricted Stocks by the Company” were considered and passed.</p>	<p>For details, please refer to the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on Cancellation of Partial Stock Options and Repurchase of Cancelled and Partially Restricted Stocks” published on Shanghai Stock Exchange by the Company on 27 April 2018.</p>
<p>On 31 May 2018, the Company held the 2017 annual general meeting of shareholders 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.</p>	<p>For details, please refer to the “Announcement on the Resolutions of the 2017 Annual General Meeting of Shareholders of Inner Mongolia Yili Industrial Group Co., Ltd.” published on Shanghai Stock Exchange by the Company on 1 June 2018.</p>
<p>On 27 June 2018, 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” was considered and passed.</p>	<p>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” published on Shanghai Stock Exchange by the Company on 28 June 2018.</p>
<p>The Company has completed the repurchase and cancellation of certain restricted stocks.</p>	<p>For details, please refer to the “Announcement on the Completion of Cancellation of Partial Stock Options and Repurchase of Cancelled and Partially Restricted Stocks of Inner Mongolia Yili Industrial Group Co., Ltd.” published on Shanghai Stock Exchange by the Company on 14 November 2018.</p>
<p>Completion of the sale of stocks under the Shareholding Scheme (Phase II) of the Company.</p>	<p>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.” published on Shanghai Stock Exchange by the Company on 11 January 2018.</p>
<p>Disclosure of matters concerning the progress of the shareholding scheme.</p>	<p>For details, please refer to the “Announcements on the Implementation Progress of Shareholding Scheme (Phase IV) of Inner Mongolia Yili Industrial Group Co., Ltd.” published on Shanghai Stock Exchange by the Company on 16 May 2018.</p>
<p>On 23 November 2018, the Company held the extraordinary session of the ninth Board of Directors, during which the “Shareholding Scheme (Phase V) of Inner Mongolia Yili Industrial Group Co.,Ltd.” was considered and passed.</p>	<p>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.” published on Shanghai Stock Exchange by the Company on 24 November 2018.</p>
<p>On 10 December 2018, the Company held the first shareholders meeting of the shareholding scheme (Phase V), during which the “Daily Management Measures of Shareholders of the Shareholding Scheme of Inner Mongolia Yili Industrial Group Co., Ltd. and the “Resolution on the Election of Members of the Management Committee of Shareholding Scheme (Phase V)” were considered and passed.</p>	<p>For details, please refer to the “Announcement on the Resolutions of the First Shareholding Meeting of Shareholding Scheme (Phase V) of Inner Mongolia Yili Industrial Group Co.,Ltd.” published on Shanghai Stock Exchange by the Company on 11 December 2018.</p>

Overview of the matter

Query index

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 V) of Inner Mongolia Yili Industrial Group Co., Ltd.” published on Shanghai Stock Exchange by the Company on 22 December 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 development 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 relationship
Inner Mongolia Huishang Finance Guarantee Co., Ltd.	Wholly-owned subsidiary	Suppliers and Customers	278,783.50	21 April 2017	2 January 2018	25 December 2021	Guarantee with joint liability	No	Yes	914.66	Yes	No
Total amount of guarantees incurred during the reporting period (excluding guarantees for subsidiaries)												278,783.50
Total balance of guarantees at the end of the reporting period (A) (excluding guarantees for subsidiaries)												66,388.81
Subsidiary guarantees provided by the Company and its subsidiaries												
Total amount of guarantees incurred for subsidiaries during the reporting period												23,300.00
Total balance of guarantees for subsidiaries at the end of the reporting period (B)												7,300.00
Total amounts of guarantees provided by the Company (including guarantees for subsidiaries)												
Total amount of guarantees (A+B)												73,688.81
Percentage of total guaranteed amount in the Company's net assets (%)												2.64
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 2018, Inner Mongolia Huishang Finance Guarantee Co., Ltd., a subsidiary of the Company, had accumulated a total external guarantee of RMB2,787,835,000, a balance of guarantee liability of RMB663,888,100 and 687 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

Unit: 0'000Yuan Currency: RMB

Type	Source of funds	Amount incurred	Outstanding balance	Amount overdue but yet to be recovered
Principal-guaranteed bank wealth management product with floating returns	Self-owned funds	120,000.00		
Principal-guaranteed security wealth management product with floating returns	Self-owned funds	40,000.00	20,000.00	

Others

Applicable Not applicable

(2) Individual entrusted wealth management

Applicable Not applicable

Unit: 0'000Yuan Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Commencement date of entrusted wealth management	Maturity date of entrusted wealth management	Source of funds	Usage of proceeds	Yield determination method	Annualized yield	Estimated yield (if any)	Actual profit or loss	Actual amount recovered	Whether undergoing a legal procedure	Whether an entrusted wealth management plan in the future	Amount of provision for impairment (if any)
Sub-branch Qingcheng, Hohhot of Agricultural Bank of China	Principal-guaranteed bank wealth management product with floating returns	60,000.00	21 September 2018	20 December 2018	Self-owned funds	Fixed income products	Principal-guaranteed floating returns	4.45% or 4.40%		658.36	recovered	Yes	No	
Sub-branch Qingcheng, Hohhot of Agricultural Bank of China	Principal-guaranteed bank wealth management product with floating returns	60,000.00	21 September 2018	20 December 2018	Self-owned funds	Fixed income products	Principal-guaranteed floating returns	4.45% or 4.40%		658.36	recovered	Yes	No	
GF Securities Co., Ltd	Principal-guaranteed security wealth management product with floating returns	20,000.00	26 September 2018	26 December 2018	Self-owned funds	Fixed income products	Principal-guaranteed floating returns	3.00%-11.70%		151.23	recovered	Yes	No	
China Merchants Securities Co., Ltd	Principal-guaranteed security wealth management product with floating returns	20,000.00	27 September 2018	7 January 2019	Self-owned funds	Fixed income products	Principal-guaranteed floating returns	3.50%-8.50%				Yes	No	

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 contract

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

✓ Applicable Not applicable

As an industry leader, the Company is active in fulfilling its corporate social responsibility and stays committed to stressing 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 2018, 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. During the reporting period, the Company has made continuous investments in poverty alleviation in relation to health, education, industry and society, trying to build a new targeted poverty alleviation model of “starting from industry poverty alleviation with comprehensive and specific responsibilities” .

2. Overview of targeted poverty alleviation for the year

✓ Applicable Not applicable

During the reporting period, the Sustainable Development Commission of the Company made overall planning for the key tasks in 2018, and reiterated the importance of the following four major fields: a win-win situation along the industrial chain, quality and innovation, public welfare and nutrition and healthcare. In terms of public welfare, the targeted poverty alleviation plan, as a charitable project of the Company with strategic significance, is subject to the planning and implementation of the Sustainable Development Commission.

During the reporting period, the Company invested RMB47.45 million to firmly promote the new model of “comprehensive industry-based poverty alleviation with specific responsibilities” , and explored two major experiences of “adopting precise measures in the industry” and “focusing on accuracy of nutrition” based on the Company's industrial features to promote poverty alleviation in relation to nutrition and education, so as to achieve tangible results in the efforts of poverty alleviation.

(1) Health

During the reporting period, the Company cooperated with Chinese Red Cross Foundation to promote the Milk Action to Build a Well-off Society in China of “Yili Nutrition 2020 with the focus on the demand for nutritional improvement from children in poverty-stricken areas, which took place in the form of charity donation and health education to bring health and care to the children from such areas. During the reporting period, the Company invested RMB21 million in the project, covering major regions of targeted poverty alleviation such as Liangshan prefecture in Sichuan, one of the most severely poverty-stricken areas in China, Lantian County in Shaanxi and Pingshan County in Hebei, and donated 6,240,000 cases of Yili Student Milk to 130 cities and counties in 25 provinces nationwide to connect more children to the nutrition and health from milk.

During the reporting period, the Company initiated the nutrition project for poverty alleviation of “Yili Nutrition 2020” , pursuant to which, the Company donated RMB11.5 million worth of milk powder to contiguous areas of extreme poverty and poor regions such as Daning County and Yonghe County in Shanxi, as well as Zizhou County and Qingjian County in Shaanxi, and launched public lectures on nutrition to help improve the nutrition and health condition of the children, the maternal and the elderly in these areas, benefiting more than 73,000 people.

During the reporting period, the Company cooperated with China Red Ribbon Foundation to undertake Pro-Kido Motherly Love Liangshan Trip of “Yili Nutrition 2020” , donating RMB2.15 million worth of Pro-Kido Infant Formula Milk Powder to 0 to 1 year-old infants from families preventing maternal-infantile transmission in Puge, Yuexi and Jinyang areas in Liangshan Yi Autonomous Prefecture in Sichuan. The Company also conducted public lectures for medical personnel and mothers in Liangshan to provide them with supports of scientific parenting knowledge.

During the reporting period, the Company cooperated with Beijing Chunhui Children's Foundation to launch “Yili Pro-Kido Motherly Love” , donating RMB350,000 worth of Yili Pro-Kido Infant Formula Milk Powder to more than 270 orphans and disabled children.

(2) Education

During the reporting period, the Company promoted “Yili Future Garden” in collaboration with China Children and Teenagers'

Fund to build a platform for promoting popular science, communication and interaction by hosting online and offline activities on popular science, catering to the demands for popular science education among Chinese children and teenagers. During the reporting period, the Company invested RMB2.8 million in such activities as “2018 Popular Science in 100 Campuses” , “Popular Science for Rural Areas” , “Winter Camp for Dreams” , “Summer Camp for Dreams” and “Micro-video Collection on Teenagers' Technological Innovation” . These activities brought the knowledge of science and technology to the schools in Shaanxi, Jiangxi, Henan, Hebei, Zhejiang, Jiangsu and Inner Mongolia, benefiting 330,000 primary and middle school students.

During the reporting period, the Company cooperated with Western China Human Resources Development Foundation to promote the welfare project “Yili Ark” . The Company contributed RMB4 million to more than 70 special trainings for children's safety in 8 counties, including Hewuchuan County of Oroqen Autonomous Banner in Inner Mongolia, Lantian County in Shaanxi, Dagan County and Mojiang County in Yunnan, Daozhen County in Guizhou, Yangxin County in Hubei and Daming County in Hebei, with more than 10 themes on safety education, such as safe escape experience and prevention from drowning, covering more than 90,000 teachers and students. During these activities, the Company focused on left-behind children in rural areas, supporting more than 10,000 left-behind children.

(3) Industrial development

During the reporting period, the Company cooperated with China Foundation for Youth Entrepreneurship and Employment to initiate the Action of Entrepreneurship Poverty Alleviation for Chinese Youth of “Yili Nutrition 2020” , contributing RMB5 million to support the efforts of poverty alleviation of youth entrepreneurship in poor counties, such as Shilou and Lingqiu in Shanxi by forms of funding support and trainings.

(4) Society

During the reporting period, the Company took the responsibility of providing poverty assistance to Daluhao Village of Wuchuan County in Inner Mongolia Autonomous Region, paid site visits with the “First Secretary” staying in the village of the village committee, and formulated long-term and effective poverty alleviation plan after consultation with party committees at the township and village levels. During the reporting period, the Company contributed RMB650,000 to implement the special poverty alleviation scheme of the irrigation project for Daluhao Village to expand land irrigation areas and improve productivity of cultivated land and revenue of peasants.



3. Effectiveness of targeted poverty alleviation

✓ Applicable Not applicable

Unit: 0,000 Yuan Currency: RMB

Indicator	Amount and Development
I. Overview	
1. Capital	1,245
2. Supplies converted into cash	3,500
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 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	500
2. Poverty alleviation through education	
2.1 Number of impoverished students funded (headcount)	420,000
2.2 Investment in improving educational resources in poverty-stricken areas	680
3. Poverty alleviation through healthcare	
3.1 Investment of medical and healthcare resources in poverty-stricken areas	3,500
4. Social poverty alleviation	
4.1 Investment in targeted poverty alleviation	65
III. Awards received (content and rank)	
1. In June 2018, the Company was honored as one of the “Top 50 Brands for Chinese Corporate Citizens' Responsibility in 2018” at the “Third Chinese Corporate Citizens' Responsibility Summit of 2018” co-hosted by Corporate Citizenship Committee of China Association of Social Workers and other parties.	
2. In October 2018, the Company was honored as one of the “2018 China CSR and Welfare Model” in the “World Conference on Farm Animal Welfare” jointly hosted by FAO and CAPIAC.	
3. In November 2018, the Company received the “Corporate Citizen Award for Outstanding Welfare Project in China 2018” at the “2018 The 14th China Extraordinary Corporate Citizen Annual Awards Ceremony” .	
4. In December 2018, “Yili Nutrition 2020” , the targeted poverty alleviation project of the Company was awarded the “Excellent Cases of Enterprise Poverty Alleviation” after it had been included in “Blue Book of Poverty Alleviation for Enterprises (2018)” published by the Social Poverty Alleviation Department of the State Council Poverty Alleviation Office and the Research Institute of Industrial Economy, Chinese Academy of Social Sciences.	
5. In December 2018, the Company was awarded “The Best Practice of 2018 China Enterprises in Achieving UNSDG” at the “2018 China Business Summit on Achieving SDGs” hosted by UN Global Compact Network China.	

4. Subsequent plan for targeted poverty alleviation

✓ Applicable Not applicable

In 2019, the Company will continue to promote the implementation of requirements of UN SDGs in relation to “poverty elimination” , “hunger elimination” , “nutrition and health” and etc., respond to relevant national policies, bring its industrial advantages into full play, and strengthen its communication and cooperation with other enterprises and social organizations, proceed with a poverty alleviation model of “comprehensive industry-based poverty alleviation with specific responsibilities” . The Company shall accurately position targets of poverty alleviation and pay attention to groups of infants and children, orphans and the disabled and poor youngsters, deeply focus on poverty alleviation areas, especially “three regions and three prefectures” , and explore diverse ways for poverty alleviation, emphasizing on promotion of poverty alleviation in aspects of health, education, industries and etc. The Company will also help the targets of poverty alleviation to shed poverty steadily, pay attention to the quality of poverty alleviation

and contribute to the campaign against poverty.

(II) Work on social responsibility

✓ Applicable □ Not applicable

For details of the Company's 2018 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

(I) Information on pollution discharging

✓ Applicable □ Not applicable

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 in the year of 2018:

Name of subsidiary	Major pollutant	Way of emission	Emission	Benchmark value	Excessive	2018	Approved total emission	Number and distribution of emission outlets
			intensity		emission	emission	(unit: ton)	
			(Unit: water mg/L, fume mg/m ³)		(unit: ton)	(unit: ton)		
Inner Mongolia Yili Industrial Group Co., Ltd. Dynamic Environment Protection Branch	COD	Intermittent emission	39.59	≤150	Nil	58.75	438	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Intermittent emission	3.84	≤25	Nil	5.86	73	
Bayannur Yili Dairy Co., Ltd.	COD	Continuous emission	48.17	≤500	Nil	20.58	Suspension of issue of emission license by the local authority	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	15.09	≤45	Nil	6.45		
Jinan Yili Dairy Co., Ltd.	COD	Continuous emission	32.12	≤420	Nil	19.35	Suspension of issue of emission license by the local authority	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.85	≤30	Nil	0.52		
	Suspended solids	Continuous emission	30	≤400	Nil	18.05		
Liaoning Yili Dairy Co., Ltd.	COD	Continuous emission	45.51	≤450	Nil	24.42	35.5	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	5.39	≤30	Nil	1.38	2.5	
Langfang Yili Dairy Products Co., Ltd.	COD	Continuous emission	76	≤400	Nil	29.18	48	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	6.88	≤25	Nil	2.64	3	
Luanxian Yili Dairy Co., Ltd. (Workshop I)	COD	Continuous emission	39.46	≤400	Nil	20.74	27.63	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	2.24	≤60	Nil	1	3.21	
Luanxian Yili Dairy Co., Ltd. (Workshop II)	COD	Continuous emission	39.56	≤400	Nil	24.07	32.14	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	2.3	≤60	Nil	1.36	6	
Guangdong Yili Dairy Co., Ltd.	COD	Continuous emission	13.13	≤60	Nil	12.91	47.58	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.2	≤8	Nil	0.49	9.51	
Hefei Yili Dairy Co., Ltd.	COD	Continuous emission	32.9	≤420	Nil	57.94	343.0	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.98	≤28	Nil	2.26	22.87	
Jiyuan Yili Dairy Co., Ltd.	COD	Continuous emission	63.54	≤380	Nil	53.98	210	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.7	≤35	Nil	0.60	20	
Ningxia Yili Dairy Co., Ltd.	COD	Continuous emission	75	≤500	Nil	73.93	92.82	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	20	≤45	Nil	11.31	14.63	

Name of subsidiary	Major pollutant	Way of emission	Emission	Benchmark value	Excessive	2018	Approved total emission	Number and distribution of emission outlets
			intensity	(Unit: water mg/L, fume mg/m ³)	emission	emission	(unit: ton)	
Fuxin Yili Dairy Co., Ltd.	COD	Continuous emission	16.03	≤450	Nil	19.24	298	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.61	≤30	Nil	0.68	19.9	
Xilinhote Yili Dairy Products Co., Ltd.	COD	Continuous emission	52.4	≤100	Nil	12.11	67.5	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.73	≤15	Nil	0.35	11.25	
Zhangbei Yili Dairy Co., Ltd.	COD	Continuous emission	51.46	≤85	Nil	62.79	152.858	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	5.88	≤10	Nil	5.24	11.708	
Dingzhou Yili Dairy Co., Ltd.	COD	Continuous emission	19.08	≤50	Nil	20.90	44.46	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.70	≤8	Nil	0.82	6.13	
Lindian Yili Dairy Co., Ltd.	COD	Continuous emission	27.19	≤60	Nil	25.05	50	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	4.61	≤8	Nil	4.24	7	
Zhaodong Yili Dairy Co., Ltd.	COD	Continuous emission	42.29	≤100	Nil	52.15	Suspension of issue of emission license by the local authority	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	3.47	≤15	Nil	4.37		
Inner Mongolia Jinhai Yili Dairy Co., Ltd.	COD	Continuous emission	31.49	≤100	Nil	12.5	65.7	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.2	≤15	Nil	0.8	9.9	
Inner Mongolia Jinshan Yili Dairy Co., Ltd.	COD	Continuous emission	20.44	≤100	Nil	10.6	54	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	1.59	≤15	Nil	0.83	8.1	
Duolun Yili Dairy Co., Ltd.	COD	Continuous emission	52.59	≤100	Nil	4.31	35.86	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	1.23	≤15	Nil	0.1	7.27	
Tianjin Yili Dairy Products Co., Ltd.	COD	Continuous emission	46.95	≤500	Nil	25.15	52.38	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	3.96	≤35	Nil	2.03	8.05	
Beijing Dairy Products Factory of Inner Mongolia Yili Industrial Group Co., Ltd.	COD	Continuous emission	22.12	≤500	Nil	6.09	Suspension of issue of emission license by the local authority	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.56	≤45	Nil	0.15		
Chengdu Yili Dairy Co., Ltd.	COD	Continuous emission	14.0	500	Nil	21.0	61.42	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.5	Grade 3 emission standard: Zero NH ₃ -N	Nil	0.8	6.14	
Hubei Huanggang Yili Dairy Co., Ltd.	COD	Continuous emission	31	≤500	Nil	83.6	88	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	6.8	≤45	Nil	8.6	9	
Urumqi Yili Food Co., Ltd.	COD	Continuous emission	77.3	≤150	Nil	12.3	No total emission approved by local authorities	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.5	≤25	Nil	1.1		
Zhejiang Yili Dairy Co., Ltd.	COD	Continuous emission	165	≤500	Nil	7.6	7.668	There is one sewage discharging outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.5	≤45	Nil	1.0	1.022	
Duerbote Yili Dairy Co., Ltd.	COD	Continuous emission	53.83	≤150	Nil	29.4	39.64	There is one sewage discharging outlet and one exhaust emission outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.53	≤25	Nil	0.29	0.353	
Duerbote Jinshan Dairy Co., Ltd.	Sulfur dioxide	Continuous emission	155.09	≤400	Nil	45.26	55.64	The two companies share a set of environmental protection facilities.
	Nitrogen oxides	Continuous emission	144.93	≤400	Nil	43.74	151.34	
	Particulates	Continuous emission	16.54	≤80	Nil	8.13	28.71	
Heilongjiang Yili Dairy Co., Ltd.	COD	Continuous emission	40.63	≤150	Nil	24.64	72.98	There is one sewage discharging outlet and one exhaust emission outlet located within the factory area.
	Ammonia nitrogen	Continuous emission	0.43	≤25	Nil	0.20	0.586	
	Sulfur dioxide	Continuous emission	100.61	≤400	Nil	20.71	35.26	
	Nitrogen oxides	Continuous emission	145.39	≤400	Nil	28.74	84.38	
	Particulates	Continuous emission	8.57	≤80	Nil	1.90	18.14	

(2) The construction and operation of pollution prevention facilities

✓ Applicable □ Not applicable

The construction of pollution prevention facilities is designed, constructed and put into operation concurrently with main works as required. All the subsidiaries have installed an online environment monitoring system according to the requirements of the local

environmental protection authority, which is networked with the local environmental protection authority to realize real-time monitoring of enterprises' sewage data by the environmental protection authority. During the reporting period, the Company's environmental protection facilities operated steadily.

(3) Environmental impact assessment of construction projects as well as other administrative approval procedures on environmental protection

✓ Applicable Not applicable

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.

(4) Contingency plans for environmental emergencies

✓ Applicable Not applicable

According to the requirements of 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 Company has formulated emergency plans for environmental emergencies based on its actual situations in an effort to establish and complete the emergency mechanism for environmental emergencies, improve the ability to respond to emergencies and prevent environmental emergencies and any damage caused. The Company has filed its contingency plans for environmental incidents with the local environmental protection bureau and such filing remains valid as of the disclosure date of this report. 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.

(5) Environmental self-monitoring plan

✓ Applicable Not applicable

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 for 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.

(6) Other disclosable environmental information

✓ Applicable Not applicable

Committed to the concept of the 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. Environmental protection of companies other than key pollutant discharging units

✓ Applicable Not applicable

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. Environmental protection files and systematic documents such as administrative approval procedures on environmental protection, environmental self-monitoring plan and contingency plans for environmental emergencies are complete and effective.

3. Explanation of reasons for non-disclosure of environmental information by companies other than key pollutant discharging units

Applicable ✓ Not applicable

4. Explanation of subsequent progress or changes in the disclosure of environmental information during the reporting period



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 sales restricted	45,123,446	0.7423				-365,000	-365,000	44,758,446	0.7364
1. Shares held by the state									
2. Shares held by state-owned legal persons									
3. Other domestic shares:	45,098,446	0.7419				-365,000	-365,000	44,733,446	0.7360
Including: Domestic shares held by legal persons other than state-owned legal persons	31,430,946	0.5171						31,430,946	0.5171
Shares held by domestic natural persons	13,667,500	0.2249				-365,000	-365,000	13,302,500	0.2189
4. Shares held by foreign capital:	25,000	0.0004						25,000	0.0004
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons	25,000	0.0004						25,000	0.0004
II. Shares not subject to sales restriction	6,033,369,162	99.2577						6,033,369,162	99.2636
1. RMB ordinary shares	6,033,369,162	99.2577						6,033,369,162	99.2636
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares									
4. Others									
III. Total number of ordinary shares	6,078,492,608	100				-365,000	-365,000	6,078,127,608	100

2. Illustration of changes in ordinary shares

Applicable Not applicable

On 31 May 2018, the Company held the 2017 Annual General Meeting of shareholders, 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. On 14 November 2018, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on Completion of Repurchase of Cancelled and Partially Restricted Stocks by the Company”, stating that 365,000 restricted shares were repurchased and cancelled and the share capital of the Company was comprised of 6,078,492,608 shares and 6,078,127,608 shares before and after the change, respectively.

For details of 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 of the Company on financial indicators such as earnings per share and net assets per share for the latest year and the latest period.

4. Other information 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 restrictions
Incentive recipient of restricted shares	13,692,500			13,327,500	Equity incentives	
Total	13,692,500			13,327,500	/	/

Notes:

1. Changes in shares

On 14 November 2018, the Company published the “Announcement of Inner Mongolia Yili Industrial Group Co., Ltd. on Completion of Repurchase of Cancelled and Partially Restricted Stocks”, stating that 365,000 restricted shares were repurchased and cancelled and the Company had 13,327,500 restricted shares after the change.

2. Date of release from trading restrictions

On 22 October 2016, the Company published the “Stock Options and Restricted Stock Incentive Plan (Draft) of Inner Mongolia Yili Industrial Company Co., Ltd.” on Shanghai Stock Exchange, stating that restricted shares can be unlocked by phases upon fulfillment of agreed conditions after 24 months from the grant date of restricted shares and such unlocking must take place on a trading date. The unlocking schedule is specified as follows:

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

For details of 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

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

(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 “1. A Table of changes in ordinary share capital” and “2. Illustration of changes in ordinary shares” in the subsection “I. Changes in Ordinary Share Capital” under 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	254,584
Total number of ordinary shareholders as at the end of last month prior to the date of issuance of the annual report	232,233



(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			Number of restricted shares held	Shares pledged or frozen		Nature of shareholder
	Increase/decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)		Share status	Number	
Hong Kong Securities Clearing Company Limited	341,830,379	905,537,376	14.90		Unknown	Other	
Hohhot Investment Co., Ltd.	-5,633,174	538,535,826	8.86		Pledged	138,200,000	Other
Pan Gang (潘刚)	0	236,086,628	3.88		Pledged	212,400,000	Domestic legal person
China Securities Finance Corporation Limited	-115,358,583	182,421,501	3.00		Unknown		Other
Sunshine Life Insurance Company Limited— Participating Insurance Product	0	109,108,607	1.80		Unknown		Other
Zhao Chengxia (赵成霞)	0	84,090,140	1.38		Pledged	75,600,000	Domestic natural person
Liu Chunhai (刘春海)	0	83,308,288	1.37		Pledged	74,600,000	Domestic natural person
Hu Liping (胡利平)	0	79,340,536	1.31		Pledged	71,100,000	Domestic natural person
Sunshine Life Insurance Company Limited— Jili Endowment Insurance Product	0	71,159,452	1.17		Unknown		Other
Industrial and Commercial Bank of China-SSE 50 Trading Open-end Index Securities Investment Fund	17,534,921	64,115,464	1.05		Unknown		Other

Name of shareholder	Number of non-restricted shares held	Class and number of shares	
		Class	Number
Hong Kong Securities Clearing Company Limited	905,537,376	RMB ordinary shares	905,537,376
Hohhot Investment Co., Ltd.	538,535,826	RMB ordinary shares	538,535,826
Pan Gang (潘刚)	236,086,628	RMB ordinary shares	236,086,628
China Securities Finance Corporation Limited	182,421,501	RMB ordinary shares	182,421,501
Sunshine Life Insurance Company Limited— Participating Insurance Product	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	71,159,452	RMB ordinary shares	71,159,452
Industrial and Commercial Bank of China-SSE 50 Trading Open-end Index Securities Investment Fund	64,115,464	RMB ordinary shares	64,115,464



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.	19,008,000			Statutory sales restrictions as stipulated in the “Measures for the Reform and Management of Equity Division of Listed Companies”
2	Hohhot Powdered Sugar Factory – Yili Company Shareholder Meeting	12,403,788			Statutory sales restrictions as stipulated in the Measures for the Reform and Management of Equity Division of Listed Companies
3	Li Yong (李勇)	200,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial Group Co., Ltd. Stock Options and Restricted Stock Incentive Plan (Draft) published on Shanghai Stock Exchange by the Company on 22 October 2016
4	Zhang Yujun (张玉军)	175,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial Group Co., Ltd. Stock Options and Restricted Stock Incentive Plan (Draft) published on Shanghai Stock Exchange by the Company on 22 October 2016
5	XuYaming (徐亚明)	175,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial Group Co., Ltd. Stock Options and Restricted Stock Incentive Plan (Draft) published on Shanghai Stock Exchange by the Company on 22 October 2016
6	Lu Shenggang (卢盛刚)	175,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial Group Co., Ltd. Stock Options and Restricted Stock Incentive Plan (Draft) published on Shanghai Stock Exchange by the Company on 22 October 2016
7	Yan Zhijun (闫志军)	150,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial Group Co., Ltd. Stock Options and Restricted Stock Incentive Plan (Draft) published on Shanghai Stock Exchange by the Company on 22 October 2016
8	Anna (安娜)	150,000			Trading restrictions of incentive equity interests. For details, please refer to the Inner Mongolia Yili Industrial Group Co., Ltd. Stock Options and Restricted Stock Incentive Plan (Draft) 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 Group Co., Ltd. Stock Options and Restricted Stock Incentive Plan (Draft) 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 Group Co., Ltd. Stock Options and Restricted Stock Incentive Plan (Draft) 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	48	21 April 2017	20 April 2020	236,086,628	236,086,628			1,702,5791	No
Liu Chunhai (刘春海)	Director and Vice President	M	55	21 April 2017	20 April 2020	83,308,288	83,308,288			750,4448	No
Zhao Chengxia (赵成霞)	Director, Vice President and Financial Controller	F	48	11 September 2017	20 April 2020	84,090,140	84,090,140			735,0803	No
Hu Liping (胡利平)	Director and Vice President	M	48	21 April 2017	20 April 2020	79,340,536	79,340,536			517,6309	No
Yan Junrong (闫俊荣)	Director	F	46	21 April 2017	20 April 2020	111,400	111,400			195,4578	No
Zhang Junping (张俊平)	Director	M	56	21 April 2017	20 April 2020	0	0			0	Yes
Gao Debu (高德步)	Independent director	M	63	21 April 2017	20 April 2020	0	0			25	No
Gao Hong (高宏)	Independent director	M	52	21 April 2017	20 April 2020	0	0			25	No
Zhang Xinling (张心灵)	Independent director	F	53	21 April 2017	20 April 2020	0	0			25	No
Ly Gang (吕刚)	Independent director	M	49	21 April 2017	20 April 2020	0	0			25	No
Xiao Bin (肖斌)	Director	F	52	21 April 2017	20 April 2020	0	0			20	No
Wang Xiaogang (王晓刚)	Chairman of the Board of Supervisors	M	45	7 September 2017	20 April 2020	720,000	720,000			167,1054	No
Li Jianqiang (李建强)	Supervisor	M	49	21 April 2017	20 April 2020	0	0			134,6934	No
Zhan Yiwu (詹亦文)	Supervisor	F	51	21 April 2017	20 April 2020	0	0			15	No
Peng Heping (彭和平)	Supervisor	M	68	21 April 2017	20 April 2020	0	0			15	No
Wang Caiyun (王彩云)	Supervisor	F	39	21 April 2017	20 April 2020	0	0			43,4801	No
Qiu Xiangmin (邱向敏)	Secretary of the Board	M	43	7 December 2018		500	0	-500	Reduction of shares in secondary market	34,9996	No
Total	/	/	/	/	/	483,657,492	483,656,992	-500	/	4,431,4714	/



Name	Major working experience
Pan Gang (潘刚)	Chairman and President of the Company.
Liu 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)	Previously served as the director, Vice President and Secretary to the Board of the Company and now the director and Vice President of the Company.
Yan Junrong (闫俊荣)	Previously served as the Deputy Quality Controller of Ice Cream Department, 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.
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. and Chairman and General Manager of Hohhot Investment Co., Ltd.
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. and Chief Operating Officer of Beijing Tianhengzhengyu Investment Development Co., Ltd. and now the independent director of the Company and Chief Operating Officer of Beijing Tianhengzhengyu Investment Development Co., Ltd.
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. and now the independent director of the Company and General Manager of Dalian Ruichang Financial Leasing Co., Ltd.
Xiao Bin (肖斌)	Director of the Company and Executive Officer of CEIBS Beijing Campus.
Wang Xiaogang (王晓刚)	Previously served as the Chairman of the Board of Supervisors, director and General Manager of the Information Engineering Department of the Company and now the Chairman of the Board of Supervisors, Chairman of the Trade Union Committee and General Manager of the Information Technology Center of the Company.
Li Jianqiang (李建强)	Previously served as the supervisor, Deputy General Manager of the Ice Cream Department, Deputy General Manager of the Quality Control Department, Director of the Supply Division of the Liquid Milk Department, Deputy General Manager of Raw Milk Department of the Company and Deputy General Manager of the Liquid Milk Department of the Company, and now the Supervisor and Assistant to President of the Company.
Zhan Yiwen (詹亦文)	Supervisor of the Company and lawyer and partner of Beijing Guoyuan Law Firm.
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 the R&D Manager of advance process technology of the Dairy Technology Institute and now the Supervisor of the Company and the Senior R&D Manager of advance process technology of the Dairy Technology Institute.
Qiu Xiangmin(邱向敏)	Previously served as Deputy Financial Director of Raw Milk Department of the Company, Deputy Financial Director of the Liquid Milk Department of the Company and Deputy Director of the President Office of the Company and now Secretary to the Board of the Company.

Explanation of other information

Applicable Not applicable

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

Applicable Not applicable

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.	Chairman and General Manager		

(II) Positions in other entities

✓ Applicable Not applicable

Name of person in office	Name of other entities	Position in other entities	Date of commencement of term of office	Date of termination of term of office
Gao Debu (高德步)	School of Economics at Renmin University of China	Professor		
Gao Hong (高宏)	Beijing Tianhengzhengyu Investment Development Co., Ltd.	Chief Operating Officer		
Zhang Xinling (张心灵)	Inner Mongolia Agricultural University	Professor and Doctoral Tutor		
Lv Gang (吕刚)	Dalian Ruichang Financial Leasing Co., Ltd.	General Manager		
Zhan Yiwen (詹亦文)	Beijing Guoyuan Law Firm	Partner		
Xiao Bin (肖斌)	CEIBS Beijing Campus	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 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” and the “Resolution on the Allowance of Supervisors of the Board of Supervisors of the Company” approved at the 2016 Annual General Meeting. 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 “(I) Changes in shareholdings of directors, supervisors and senior management in office or resigned during the reporting period and their remuneration” in “I. Changes in Shareholdings and Remuneration” 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 RMB 44,314,714 as at the end of the reporting period.

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

Applicable Not applicable

Name	Position held	Changes	Reason for changes
Hu Liping (胡利平)	Secretary to the Board	Resigned	Job transfer
Qiu Xiangmin (邱向敏)	Secretary to the Board	Elected	By election of the Board

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	26,201
Number of existing employees of major subsidiaries	29,878
Total number of existing employees	56,079
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	18,399
Sales	16,893
Technology	11,230
Finance	1,674
Administration	7,883
Total	56,079

Education level

Category of education level	Headcount
Postdoctoral researcher	37
Postgraduate	865
Undergraduate	18,128
College graduate and vocational secondary school	30,592
Below vocational secondary school	6,457
Total	56,079

(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 established a salary concept based on such four aspects as Position, Performance, Ability and Market and developed a salary system covering broad banding, payment by results and piecework for different types of positions to continuously optimize the effective connection between the salary system and organizational performance and individual performance, 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 improving themselves through training and personal efforts. The Company fully respects employees' career development aspiration and assists employees in growing up and development by cultivation measures like 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 comprehensively and conduct systematic assessment on key position personnel with evaluation tools for professionals based on the needs of strategic development. And on this basis, we initiate various talent nurturing programs covering potential talents, reserve talents and international talents, continuously improve the nurturing system for talents and further promote the establishment of knowledge hierarchy for professional field, so as to assist Yili in achieving a global strategic layout.

(IV) Labor outsourcing

Applicable Not applicable

Total working hours of labor outsourcing	252,931 hours
Total remuneration paid for labor outsourcing	RMB6,664,500

VII. Others

Applicable Not applicable

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”, the “Governance Standards for Listed Companies” 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”, “Articles of Association” and the “Rules of Procedure for the General Meeting of the Company”. 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”, Articles of Association, the “Rules of Procedure for the Company's Board of Directors” and other relevant laws, regulations and systems. The Board of the Company elected directors in strict compliance with the election and appointment procedures prescribed in the “Law of Corporation” and Articles of Association.

During their terms of office, all directors were diligent and responsible for their work, attended the Board meetings in a serious and responsible manner and were familiar with relevant laws and regulations to fully exercise and fulfill his/her rights, obligations and responsibility as a director, and safeguarded the legal rights and interests of the Company and all shareholders.

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”, Articles of Association, the “Rules of Procedure for the Company's Board of Directors” and other relevant regulations, and formulated the “Implementation Regulations for the Work of the Company's Special Committees under the Board of Directors”. 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”, Articles of Association, the “Rules of Procedure for the Company's Supervisory Committee” and other relevant laws, regulations and systems. The Board of Supervisors of the Company elected supervisors in strict compliance with the election and



appointment procedures prescribed in the “Law of Corporation” and Articles of Association.

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. They conducted supervision on the legality and compliance of the Company's accountants, directors and senior management in the course of their duties in a responsible manner for shareholders and safeguarded the legal rights and interests of the Company and all shareholders.

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”, 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” and “Shanghai Securities News”, 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”, 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
2017 General Meeting of Stockholders	31 May 2018	Website of the Shanghai Stock Exchange (http://www.sse.com.cn)	1 June 2018

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	37	37	36	0	0	No	1
Liu Chunhai (刘春海)	No	37	37	36	0	0	No	1
Zhao Chengxia (赵成霞)	No	37	37	36	0	0	No	0
Hu Liping (胡利平)	No	37	37	36	0	0	No	1
Yan Junrong (闫俊荣)	No	37	37	36	0	0	No	1
Zhang Junping (张俊平)	No	37	36	36	1	0	No	0
Gao Debu (高德步)	Yes	37	37	36	0	0	No	1
Gao Hong (高宏)	Yes	37	37	36	0	0	No	1
Zhang Xinling (张心灵)	Yes	37	37	36	0	0	No	1
Lv Gang (吕刚)	Yes	37	37	36	0	0	No	1
Xiao Bin (肖斌)	No	37	37	36	0	0	No	1

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	37
Including: number of meetings held on-site	1
Number of meetings held via communication	36
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 in 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 “2018 Assessment Report on Internal Control of the Company”, 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 “2018 Audit Report on Internal Control of the Company”, 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



诚信 · 品质

忠诚守信的理念，要求我们在责任面前敢于担当；
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。





荷兰合作银行全球乳业 20 强榜单 ——

蝉联亚洲第一 打造世界标杆

邀请国外专家及奶农，
到田间学校与中国奶农互学互助，
用经验提升品质，
成为备受世界优秀奶农赞赏的养殖行家。

Section X Particulars of Corporate Bonds

Applicable Not applicable

金典
SATINE

天赐有机
尽在金典

36g/100ml 120mg/100ml
优质乳蛋白 原生高钙

限定原产地有机牧场

金典
SATINE

有机纯牛奶

净含量: 250mL

Section XI Financial Report

Audit Report

D.H.S.Z. [2019]001178

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

I. Audit Opinion

We have audited the 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 December 31 2018, the consolidated and parent company incomes statements, the consolidated and parent company statement of changes in equity and the consolidated and parent company cash flows statements in 2018, and notes to the relevant financial statements.

In our opinion, the attached financial statements in all important matter compiled by requirements of Accounting Standards for Business Enterprises and fairly reflects Yili Group's consolidated and parent financial situation as of December 31 2018 and consolidated and parent operating results and cash flows in 2018.

II. Basis of Forming Audit Opinion

We conducted our audit procedure in complying China CPA Audit Standards. ‘VI. 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 revenue recognition as the key audit matters to communicate during auditing.

(i). Description

Please refer to the Notes of Financial Statement for Revenue in Summary of significant accounting policies and accounting estimates and Operating revenue and Operating cost in Notes to the consolidated financial statements. In 2018, the group main operating revenue is 78,720,560,129.96, and increases by 17.84%. Revenue is one of the group financial statement key indicator and it is a significant component of consolidated income statement. Revenue has a significant influence of financial statement. Therefore, we considered revenue as key audit matters.

(ii). Audit Response

We have performed important audit procedure regarding to revenue as key audit matter:

1. Understand and evaluate the reasonableness and the effectiveness of revenue recognition internal control designed by the group management.
2. Perform substantive analysis procedures, including comparing the main operating revenue of the current period with last data; Analyze the revenue and gross margin of the current period and the last period on the basis of monthly data; Perform analysis procedures and other procedures, including revenue, gross margin and the relevant comparison with last data.
3. Perform revenue test of details, selecting samples to check supporting documents of revenue confirmation, including transaction schedule, sales order, delivery order, customer signing record and other documents.
4. Conduct the revenue cut-off test, selecting samples of near balance sheet date from revenue transaction record to evaluate whether revenue is recorded in the appropriate accounting period.
5. Select samples to execute the confirmation procedure, confirming the sales amount and balance of payment for goods with the customers, and checking the regular reconciliation between Yili group and the customers.
6. For verifying the authenticity of the revenue, checking whether the recognized revenue in the current period has a sales return after

revenue recognition.

Based upon our audit procedures, we have confirmed that group's revenue recognition conforms with the accounting standards for enterprises.

IV. Other Information

The Yili Group Management 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 audit report.

Our audit opinion on the 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 financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially with the consolidated financial statements or our information obtained in the audit, or otherwise appears to be materially misstated.

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 Management for the Financial Statements

The Yili Group Management 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 Yili Group Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Yili Group Management 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 Management 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 audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error, and are considered 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 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:

- (i). 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 audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error. Fraud may involve collusion, forgery, intentional omissions, or above the internal control.
- (ii). 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.
- (iii). Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made.
- (iv). Conclude on the appropriateness of the management using going-concern assumption Meanwhile, based on the obtained audit evidence, we draw the conclusion whether a material uncertainty exists related to events or conditions that may cause significant doubt on the Group's going-concern ability. If we draw the conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements; Or if such disclosure is inadequate, we should issue modified auditing. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group discontinuing operation.

(v). 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.

(vi). 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 take full responsibility for our audit opinion.

We communicate with corporate governance about 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 corporate governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may influence our independence, and related preventive measures (if applicable).

From the matters communicated with the corporate governance, we determine those are most significant matters in the audit of the financial reports of the current period. Therefore, we pick out the key audit matters from the most significant matters. We describe these matters in our audit report, unless law or regulation forbids public disclosure about the matter, or in extremely rare circumstance, if public disclosure about the matter may more harm than good, we determine that a matter should not be communicated in our reports.

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing China

China CPA: Zhang Wenrong (张文荣)
(Engagement Partner)

China CPA: Liu Guang (刘广)

February 26, 2019

Consolidated Balance Sheet

As of 31st December 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Assets	Notes 6	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents	Note1	11,051,003,654.02	21,823,066,175.50
Financial assets at fair value through profit or loss for the period	Note2	498,843.46	
Derivative financial assets			
Notes receivable&Accounts receivable	Note3	1,282,126,608.06	949,737,204.59
Prepayments	Note4	1,459,600,976.55	1,192,434,176.04
Other receivables	Note5	154,559,158.76	233,108,843.82
Inventory	Note6	5,507,073,963.85	4,639,993,865.79
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	Note7	5,000,433,575.10	1,007,391,592.71
Total current assets		24,455,296,779.80	29,845,731,858.45
Non-current assets:			
Available-for-sale financial assets	Note8	831,010,989.62	651,819,595.43
Held-to-maturity investment			
Long-term receivable			
Long-term equity investment	Note9	1,909,387,113.45	1,765,185,096.75
Real estate investment			
Fixed assets	Note10	14,687,762,476.26	13,256,390,281.64
Construction in progress	Note11	2,686,705,865.46	1,902,065,636.71
Biological assets			
Oil and gas assets			
Intangible assets	Note12	639,268,640.97	514,361,212.49
R&D costs			
Goodwill	Note13	10,678,610.25	10,678,610.25
Long-term deferred expenses	Note14	58,537,612.15	69,195,040.35
Deferred tax assets	Note15	609,084,232.41	559,946,094.74
Other non-current assets	Note16	1,718,472,140.06	724,981,891.33
Total non-current assets		23,150,907,680.63	19,454,623,459.69
Total assets		47,606,204,460.43	49,300,355,318.14

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

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

Consolidated Balance Sheet (Continue)

As of 31st December 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Liabilities and Equity	Notes 6	Ending Balance	Beginning Balance
Current liabilities:			
Short-term borrowings	Note17	1,523,000,000.00	7,860,000,000.00
Financial liabilities measured at VSOE and of which the variation is booked in current period P&L			
Derivative financial liabilities			
Notes payable&Accounts payable	Note18	9,115,711,387.32	7,469,156,278.60
Received in advance	Note19	4,400,761,321.98	4,125,571,142.63
Payroll payable	Note20	2,513,392,737.25	2,603,617,352.74
Taxes payable	Note21	353,379,593.66	404,090,753.48
Other payables	Note22	1,221,000,408.98	1,351,467,319.98
Liabilities held-for-sale			
Non-current liabilities due within one year	Note23	33,128,853.96	24,191,543.48
Other current liabilities	Note24	10,405,666.01	11,930,958.27
Total current liabilities		19,170,779,969.16	23,850,025,349.18
Non-current liabilities:			
Long-term borrowings	Note25	289,000.00	289,000.00
Bond payable			
Include: Preference share			
Include: Perpetual debt			
Long-term payables	Note26	133,664,814.17	64,037,282.56
Long-term payroll payable			
Contingent liabilities			
Deferred income	Note27	158,330,316.61	146,186,181.18
Deferred tax liabilities	Note15	105,918,440.05	
Other non-current liabilities			
Total non-current liabilities		398,202,570.83	210,512,463.74
Total liabilities		19,568,982,539.99	24,060,537,812.92
Equity:			
Paid-in capital	Note28	6,078,127,608.00	6,078,492,608.00
Other equity instruments			
Include: Preference share			
Include: Perpetual debt			
Capital reserve	Note29	2,841,336,959.07	2,765,534,558.98
Less: Treasury shares	Note30	97,462,825.00	201,690,525.00
Other comprehensive income	Note31	375,236,186.82	-71,393,317.81
Specialised reserve			
Surplus reserve	Note32	3,045,728,468.89	2,422,653,944.48
Retained earnings	Note33	15,672,617,442.10	14,109,791,931.29
Equity attributable to parent company		27,915,583,839.88	25,103,389,199.94
Minority interests		121,638,080.56	136,428,305.28
Total owner's equity		28,037,221,920.44	25,239,817,505.22
Total liabilities and owner's equity		47,606,204,460.43	49,300,355,318.14

Attached Notes to statements are part of the financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

Consolidated Income Statement

For the year of 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Current Period	Last Period
I.Total revenue		79,553,277,524.49	68,058,174,312.35
Operating revenue	Note34	78,976,388,687.29	67,547,449,530.32
Interest revenue	Note35	576,888,837.20	510,724,782.03
Less: Operating cost	Note34	49,106,034,372.73	42,362,402,660.65
Interest expenses	Note36		141,666.67
Taxes and surcharges	Note37	530,952,383.82	511,570,189.97
Selling expenses	Note38	19,772,683,750.68	15,521,862,502.34
Administrative expenses	Note39	2,979,735,487.22	3,107,883,480.86
R&D Expenses	Note40	426,873,117.32	209,165,263.62
Finance expenses	Note41	-60,271,167.99	113,485,343.63
including: interest expenses		131,602,571.41	209,922,255.60
including: income revenue		199,095,685.13	101,549,779.00
Impairment Losses on Assets	Note42	75,655,773.01	50,623,372.02
Add: other income	Note43	746,562,694.87	788,013,845.50
Investment profit	Note45	260,913,183.17	134,679,258.02
including: investment profit from associates and joint ventures		144,202,016.70	86,557,819.01
Gain from fair-value changes	Note46	230,980.46	
Gain from assets disposal	Note47	-38,491,702.03	12,178,238.41
II.Operating profits		7,690,828,964.17	7,115,911,174.52
Add: Non-operating income	Note48	34,818,932.66	85,597,784.38
Less: Non-operating expenses	Note49	148,015,518.65	127,535,613.09
III.Profit before tax		7,577,632,378.18	7,073,973,345.81
Less: Income tax expenses	Note50	1,125,636,269.91	1,071,158,370.70
VI.Net profit		6,451,996,108.27	6,002,814,975.11
Net profit contributed before the combination under common control			
i. Net Profit classified as continuity			
Net Profit from Continuous operation		6,451,996,108.27	6,002,814,975.11
Net Profit from discontinuing operation			
ii. Profit classified as ownership			
Net profit attributable to parent company		6,439,749,610.82	6,000,884,926.88
Net profit attributable to minorities		12,246,497.45	1,930,048.23
V.Other comprehensive income after tax		446,629,504.63	-433,343,330.45
Other comprehensive income after tax attributable to parent company		446,629,504.63	-433,343,330.45
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		446,629,504.63	-433,343,330.45
(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		157,311,580.46	9,420,574.64
(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		498,843.49	
(v) Currency translation reserve		288,819,080.68	-442,763,905.09
(vi) investment income of package disposal subsidiary before the loss of control			
(vii) other assets transferred Investment Real Estate of fair value model			
Other comprehensive income attributable to minorities after tax			
VI.Total comprehensive income		6,898,625,612.90	5,569,471,644.66
Total comprehensive income attributable to parent company		6,886,379,115.45	5,567,541,596.43
Total comprehensive income attributable to minorities		12,246,497.45	1,930,048.23
VII.Earnings per share:			
i. Basic earnings per share		1.06	0.99
ii. Diluted earnings per share		1.06	0.99

Attached Notes to statements are part of the financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

Consolidated Cash Flows Statement

For the year of 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Current Period	Last Period
I.Cash flows from operating activities			
Cash received from sales and services		89,269,789,975.27	75,699,027,500.05
Net increase in disposal of trading financial assets			
Cash received from interest income, charges and commission		565,817,378.40	376,048,983.09
Cash from tax return		1,123,140.80	2,058,059.70
Other cash received relevant to operating activities	Note 51	1,632,687,993.87	1,437,241,714.39
Total cash inflows from operating activities		91,469,418,488.34	77,514,376,257.23
Cash paid for goods and services		70,245,753,476.89	57,934,739,382.10
Net increase in Customer loans and advances			
Net increase in deposits with central bank and inter-bank		-731,619,758.55	578,481,739.38
Cash paid for interest expense, charges and commissions			141,666.67
Cash paid to and for employees		7,208,172,775.39	5,969,265,197.88
Cash paid for taxes		4,668,349,033.86	4,629,340,722.30
Other cash payments related to operating activities	Note 51	1,453,991,160.95	1,396,110,369.92
Total cash outflows from operating activities		82,844,646,688.54	70,508,079,078.25
Net cash flows from operating activities		8,624,771,799.80	7,006,297,178.98
II.Cash flows from investing activities			
Cash received from withdraw of investments		1,448,575,837.42	14,522,215.51
Cash received from investment income		116,056,383.93	53,138,113.89
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		47,168,526.23	72,802,045.59
Net cash received from disposal of subsidiaries and other business units			
Other cash received relevant to investing activities	Note 51	516,218.89	139,085,711.45
Total cash inflows from investing activities		1,612,316,966.47	279,548,086.44
Cash paid for fixed assets,intangible assets and other long-term assets		5,090,600,464.62	3,351,359,455.32
Cash payments for investments		1,625,000,000.00	45,000,000.00
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments related to investing activities	Note 51	270,700,593.29	
Total cash outflows from investing activities		6,986,301,057.91	3,396,359,455.32
Net cash flows from investing activities		-5,373,984,091.44	-3,116,811,368.88
III.Cash flows from financing activities			
Cash received from investments by others		18,000,000.00	217,686,000.00
Including: Cash received by subsidiaries from minority shareholders' investments		18,000,000.00	
Cash received from borrowings		4,983,000,000.00	8,460,000,000.00
Other cash received relevant to other financing activities			
Total cash inflows from financing activities		5,001,000,000.00	8,677,686,000.00
Cash repayments for debts		11,320,000,000.00	750,000,000.00
Cash payments for distribution of dividends, profit and interest expenses		4,392,602,765.29	3,845,428,901.98
Including: Dividends or profit paid by subsidiaries to minority shareholders		19,208,903.09	15,280,676.10
Other cash payments related to financing activities	Note 51	37,382,061.11	29,450,475.00
Total cash outflows from financing activities		15,749,984,826.40	4,624,879,376.98
Net cash flows from financing activities		-10,748,984,826.40	4,052,806,623.02
IV.Effect of foreign exchange rate changes on cash and cash equivalents		307,147,818.96	-397,717,708.47
V.Net increase in cash and cash equivalents		-7,191,049,299.08	7,544,574,724.65
Add: Beginning balance of cash and cash equivalents		20,755,979,912.01	13,211,405,187.36
VI.Ending balance of cash and cash equivalents		13,564,930,612.93	20,755,979,912.01

Attached Notes to statements are part of the financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

Consolidated Statement of Changes in Equity

For the year of 2018

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

(The unit of monetary is 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
I. Ending balance brought from prior 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
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											
II. Beginning 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
III. Change from current period		-365,000.00		75,802,400.09	-104,227,700.00	446,629,504.63		623,074,524.41	1,562,825,510.81	-14,790,224.72	2,797,404,415.22
i. Total comprehensive income						446,629,504.63			6,439,749,610.82	12,246,497.45	6,898,625,612.90
ii. Owner's contributions and withdrawals of capital		-365,000.00	-	75,802,400.09	-104,227,700.00				1,095,250.00	-456,704.28	180,303,645.81
(i) Common stock contributed by owners										18,000,000.00	18,000,000.00
(ii) Capital contributed by other equity instruments holders											-
(iii) Share-based payment recorded in owner's equity		-365,000.00		75,802,400.09	-104,227,700.00				1,095,250.00		180,760,350.09
(iv) Others										-18,456,704.28	-18,456,704.28
iii. Profits distribution								623,074,524.41	-4,878,019,350.01	-26,580,017.89	-4,281,524,843.49
(i) Appropriation of surplus reserve								623,074,524.41	-623,074,524.41		-
(ii) Distribution to owner/shareholder									-4,254,944,825.60	-26,580,017.89	-4,281,524,843.49
(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) changes of defined benefit plans for retained earnings											
(v) Others											
v. specialized reserve											
i. Current year accrual											
ii. Current year utilization											
vi. Others											
IV. Ending balance of current period		6,078,127,608.00		2,841,336,959.07	97,462,825.00	375,236,186.82		3,045,728,468.89	15,672,617,442.10	121,638,080.56	28,037,221,920.44

Attached Notes to statements are part of the financial statements)

Legal Representative:

Chief Finance Officer:

Finance Manager:

Consolidated Statement of Changes in Equity

For the year of 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Last Period							Minority interests	Total owner's equity	
		Equity attributable to parent company									
		Paid-in capital	Other equity instrument	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve	Surplus reserve			Retained earnings
I. 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											
II. 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
III. 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) changes of defined benefit plans for retained earnings											
(v) Others											
v. specialized reserve											
i. Current year accrual											
ii. Current year utilization											
vi. Others											
IV. 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 financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

The Parent Company Balance Sheet

As of 31st December 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Assets	Notes 16	Ending Balance	Beginning Balance
Current assets:			
Cash and cash equivalents		3,005,604,575.71	10,709,781,604.26
Financial assets at fair value through profit or loss for the period			
Derivative financial assets			
Notes receivable&Accounts receivable	Note1	1,238,979,215.00	905,166,268.53
Prepayments		2,009,243,973.00	1,659,366,511.73
Other receivables	Note2	130,405,933.16	16,069,471.42
Inventory		2,107,611,240.72	1,766,576,188.90
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		1,223,996,434.54	416,616,042.01
Total current assets		9,715,841,372.13	15,473,576,086.85
Non-current assets:			
Available-for-sale financial assets		304,987,454.75	312,158,205.93
Held-to-maturity investment			
Long-term receivable			
Long-term equity investment	Note3	25,192,607,533.12	22,882,546,329.41
Real estate investment			
Fixed assets		1,220,725,426.30	1,197,479,126.94
Construction in progress		1,393,487,894.90	109,571,976.09
Biological assets			
Oil and gas assets			
Intangible assets		229,218,015.63	122,792,285.46
R&D costs			
Goodwill			
Long-term deferred expenses		1,280,240.97	
Deferred tax assets		206,562,611.47	223,881,953.15
Other non-current assets		29,072,137.23	273,915,262.11
Total non-current assets		28,577,941,314.37	25,122,345,139.09
Total assets		38,293,782,686.50	40,595,921,225.94

Attached Notes to statements are part of the 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 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Liabilities and Equity	Notes 16	Ending Balance	Beginning Balance
Current liabilities:			
Short-term borrowings		1,300,000,000.00	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&Accounts payable		9,387,634,838.08	8,579,202,388.71
Received in advance		4,391,078,079.33	4,116,975,284.09
Payroll payable		2,036,345,412.01	2,174,685,713.13
Taxes payable		143,430,926.11	196,770,282.80
Other payables		1,092,708,113.60	1,219,834,126.89
Liabilities held-for-sale			
Non-current liabilities due within one year		4,784,061.67	4,429,655.00
Other current liabilities			
Total current liabilities		18,355,981,430.80	22,821,897,450.62
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			
Contingent liabilities			
Deferred income		63,270,629.93	51,269,856.51
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		63,559,629.93	56,342,918.18
Total liabilities		18,419,541,060.73	22,878,240,368.80
Equity:			
Paid-in capital		6,078,127,608.00	6,078,492,608.00
Other equity instrument			
Include: Preference share			
Include: Perpetual debt			
Capital reserve		2,737,984,598.10	2,662,182,198.01
Less: Treasury shares		97,462,825.00	201,690,525.00
Other comprehensive income			
Specialised reserve			
Surplus reserve		3,045,728,468.89	2,422,653,944.48
Retained earnings		8,109,863,775.78	6,756,042,631.65
Total owner's equity		19,874,241,625.77	17,717,680,857.14
Total liabilities and owner's equity		38,293,782,686.50	40,595,921,225.94

Attached Notes to statements are part of the financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

The Parent Company Income Statement

For the year of 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 16	Current Period	Last Period
I. Operating revenue	Note 4	80,389,142,444.00	68,265,817,565.25
Less: Operating cost	Note 4	59,113,724,122.52	50,861,417,492.90
Taxes and surcharges		297,663,615.88	284,356,104.31
Selling expenses		16,873,210,531.22	12,796,865,870.79
Administrative expenses		1,112,970,372.73	1,384,034,245.88
Research and Development expenses		412,286,853.71	194,010,421.95
Finance expenses		54,680,308.07	131,520,778.91
including: interest expenses		103,077,474.34	179,552,502.51
including: income revenue		52,469,803.55	52,397,710.86
Impairment Losses on Assets		47,273,011.11	26,175,387.02
Add: other income		485,262,123.03	486,909,012.39
Investment profit	Note 5	3,698,103,854.23	2,760,697,916.76
Including: investment profit from associates and joint ventures		144,191,435.71	86,780,128.15
Gain from fair-value changes			
Gain from assets disposal		-1,523,637.77	1,166,738.61
II. Operating profits		6,659,175,968.25	5,836,210,931.25
Add: Non-operating income		17,682,194.44	62,861,195.49
Less: Non-operating expenses		97,071,380.30	107,915,669.38
III. Profit before tax		6,579,786,782.39	5,791,156,457.36
Less: Income tax expenses		349,041,538.25	423,635,007.99
IV. Net profit		6,230,745,244.14	5,367,521,449.37
Net Profit from Continuous operation		6,230,745,244.14	5,367,521,449.37
Net Profit from discontinuing operation			
V. 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			
(vi) investment income of package disposal subsidiary before the loss of control			
(vii) other assets transferred Investment Real Estate of fair value model			
VI. Total comprehensive income		6,230,745,244.14	5,367,521,449.37
VII. Earnings per share:			
i. Basic earnings per share			
ii. Diluted earnings per share			

Attached Notes to statements are part of the financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

The Parent Company Cash Flows Statement

For the year of 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 16	Current Period	Last Period
I.Cash flows from operating activities			
Cash received from sales and services		90,231,683,793.74	76,811,128,025.04
Cash from tax return			
Other cash received relevant to operating activities		756,730,060.17	776,576,629.19
Total cash inflows from operating activities		90,988,413,853.91	77,587,704,654.23
Cash paid for goods and services		80,117,030,736.15	67,091,946,021.38
Cash paid to and for employees		4,279,804,081.51	3,370,418,188.33
Cash paid for taxes		2,756,602,324.64	2,783,068,702.63
Other cash payments related to operating activities		1,558,105,066.82	1,006,450,995.94
Total cash outflows from operating activities		88,711,542,209.12	74,251,883,908.28
Net cash flows from operating activities		2,276,871,644.79	3,335,820,745.95
II.Cash flows from investing activities			
Cash received from withdraw of investments		1,232,462,655.76	14,522,215.51
Cash received from investment income		3,467,794,787.22	2,679,837,324.33
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		14,417,558.54	31,880,704.77
Net cash received from disposal of subsidiaries and other business units		27,217,758.26	
Other cash received relevant to investing activities		900,000,000.00	250,000,000.00
Total cash inflows from investing activities		5,641,892,759.78	2,976,240,244.61
Cash paid for fixed assets,intangible assets and other long-term assets		1,403,843,552.88	332,473,637.09
Cash payments for investments		3,437,000,000.00	1,116,000,000.00
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments related to investing activities		1,200,000,000.00	300,000,000.00
Total cash outflows from investing activities		6,040,843,552.88	1,748,473,637.09
Net cash flows from investing activities		-398,950,793.10	1,227,766,607.52
III.Cash flows from financing activities			
Cash received from investments by others			217,686,000.00
Cash received from borrowings		4,200,000,000.00	7,130,000,000.00
Other cash received relevant to other financing activities			
Total cash inflows from financing activities		4,200,000,000.00	7,347,686,000.00
Cash repayments for debts		9,430,000,000.00	600,000,000.00
Cash payments for distribution of dividends, profit and interest expenses		4,341,176,930.24	3,803,503,005.53
Other cash payments related to financing activities		10,920,950.00	7,475,475.00
Total cash outflows from financing activities		13,782,097,880.24	4,410,978,480.53
Net cash flows from financing activities		-9,582,097,880.24	2,936,707,519.47
IV.Effect of foreign exchange rate changes on cash and cash equivalents			
V.Net increase in cash and cash equivalents		-7,704,177,028.55	7,500,294,872.94
Add: Beginning balance of cash and cash equivalents		10,709,781,604.26	3,209,486,731.32
VI.Ending balance of cash and cash equivalents		3,005,604,575.71	10,709,781,604.26

Attached Notes to statements are part of the 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 of 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 16	Current Period								
		Paid-in capital	Other equity instrument	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve	Surplus reserve	Retained earnings	Total owner's equity
I. Ending balance brought from prior 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
Add: Change due to changes in accounting policies										
Change due to corrections of errors in Prior Period										
Others										
II. Beginning 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
III. Change from current period		-365,000.00		75,802,400.09	-104,227,700.00			623,074,524.41	1,353,821,144.13	2,156,560,768.63
i. Total comprehensive income									6,230,745,244.14	6,230,745,244.14
ii. Owner's contributions and withdrawals of capital		-365,000.00		75,802,400.09	-104,227,700.00				1,095,250.00	180,760,350.09
(i) Common stock contributed by owners										
(ii) Capital contributed by other equity instruments holders										
(iii) Share-based payment recorded in owner's equity		-365,000.00		75,802,400.09	-104,227,700.00				1,095,250.00	180,760,350.09
(iv) Others										
iii. Profits distribution								623,074,524.41	-4,878,019,350.01	-4,254,944,825.60
(i) Appropriation of surplus reserve								623,074,524.41	-623,074,524.41	
(ii) Distribution to owner/shareholder									-4,254,944,825.60	-4,254,944,825.60
(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) changes of defined benefit plans for retained earnings										
(v) Others										
v. specialized reserve										
(i) Current year accrual										
(ii) Current year utilization										
vi. Others										
VI. Ending balance of current period		6,078,127,608.00		2,737,984,598.10	97,462,825.00			3,045,728,468.89	8,109,863,775.78	19,874,241,625.77

Attached Notes to statements are part of the 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 of 2018

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

(The unit of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 16	Last Period								
		Paid-in capital	Other equity instrument	Capital reserve	Less: Treasury shares	Other comprehensive income	Specialised reserve	Surplus reserve	Retained earnings	Total owner's equity
I. 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										
II. 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
III. 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	-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) changes of defined benefit plans for retained earnings										
(v) Others										
v. specialized reserve										
(i) Current year accrual										
(ii) Current year utilization										
vi. Others										
VI. 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 financial statements)

Legal Representative: Pan Gang

Finance Officer (CFO) : Zhao Chengxia

Finance Manager: Zhang Zhanqiang

Inner Mongolia Yili Industrial Group Co., Ltd.

Notes to Financial Statements 2018

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 in 1995 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 25, 1996, the company was listed on the Shanghai Stock Exchange in March 12, 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 replenishment plan for both two allotments is each 10 shares entitled to 3 shares.

In 2002, 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 issuance, 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. The two exercises increased 172,056,022 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 14.2 million restricted shares and the total capital stock was 6,079,000,108 shares.

In 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. In 2018, the company's 2017 annual 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 2018, the company repurchased and cancelled 365,000 shares of restricted stocks. The total capital stock was changed to 6,078,127,608 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; automobile transportation for goods; food service (collective canteens only); dairy products, food, beverages produced by the company; dairy products and related raw materials; sales of pre-packaged foods. Agricultural and livestock products and feed processing, distribution of food and beverage processing equipment, packaging materials and packaging supplies for production and sales, hardware tools, chemical products (except franchise), agricultural products, daily necessities, livestock and poultry products, feed; import: raw materials required for the production and scientific research, machinery and equipment, instrumentation and spare parts; export the company's own products and related technologies; repair services for machinery and equipment (except franchise) and the sales of spare parts from equipment (except franchise); production and sales of the toys; manufacturing and sales of compound food additives.

This financial statement was approved and published by the Board of Directors of the company on February 26, 2019.

II. Entities included in the consolidation scope

There are 72 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
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
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
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

Name of subsidiary	Type of subsidiary	Layer	Capital shareholdings by Yili (%)	Voting power (%)
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
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., LIMITED	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 drow 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 JINGANG TRADE HOLDING CO., LIMITED	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 Kindairy Trading 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

Name of subsidiary	Type of subsidiary	Layer	Capital shareholdings by Yili (%)	Voting power (%)
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 Aibeifood 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
Daqing Yili Dairy Products Co., Ltd.	Wholly owned subsidiary	Secondary	100.00	100.00

Compared with previous financial period, one subsidiary has been added to the consolidation scope and four subsidiaries have been eliminated from the consolidation scope as:

(i) New entities added in the scope of consolidation as subsidiaries, entities with special purpose or achieved control by a lease or being entrusted with the operation.

Name	Reason of Change
Daqing Yili Dairy Products Co., Ltd.	New establishment

(ii) Some entities eliminated from the scope of consolidation as subsidiaries, entities with special purpose or lost control by a lease or being entrusted with the operation.

Name	Reason of change
Daqing Yili Dairy Co., Ltd.	Cancellation
Anda Yili Dairy Co., Ltd.	Transferring
Shuozhou Yili Dairy Co., Ltd.	Transferring
Zalantun Yili Dairy Co., Ltd.	Transferring

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 transactions and events are recognized and measured in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific enterprises 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 (amendment in 2004) 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 policies and estimates:

The company has specified the accounting policies and estimates according to the nature of the operations. The major specifications are PPE (plant, property and equipment) 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 with both truth and completeness aspect.

(ii) Accounting period

The company accounting fiscal year starts on January 1 and ends on December 31.

(iii) Operating cycle

The company operates with 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 is achieved in stages and the terms, conditions and economic impact of contract meeting following criteria, these multiple transactions shall be treated as a package deal.

- (1) These transactions are simultaneously dealt with or have considered the mutual effects of others;
- (2) Only these transactions as a whole could achieve a complete business result;
- (3) One of these transactions is triggered by at least one of other transactions occurrence;
- (4) Without considering the other transactions, the deal by itself cannot be treat as economical.

2. Business combinations under common control

Assets and liabilities that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the acquiree in the ultimate controlling party's consolidated financial statements on the combination date. 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 par value of issued stocks) is adjusted to the share premium of capital reserve. If the share premium is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

As for the difference between the accrued liabilities or assets and contingent consideration paid, it is adjusted to the share premium or capital premium of capital reserve. If the share premium is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

For a business combination realized through step-by-step multiple transactions under common control, if those transactions belong to one package deal, they shall be treated as one transaction. For those transactions do not belong to one package deal but under common control, on the acquisition date, the difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity is adjusted in capital reserve, if the capital reserve is not sufficient, the excess is adjusted against retained earnings. For equity investment held before the date of combination, the other comprehensive income which generated by the equity method or recognition and measurement financial instruments, it shall not conduct accounting treatment temporarily until disposal of the investment. When this investment is disposed of, accounting treatment is conducted using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities. The changes of equity of invested entity shall not conduct any accounting treatment except for net profit or loss, other comprehensive income and distribution of profits that arise from

using equity method and they shall be recognized to profit or loss until disposal.

3. Business combinations not under common control

The acquisition date is the date that acquirer obtains control of the acquiree. Generally, it is the date on which the acquirer obtains the acquiree's net assets or operating decision right. The control is transferred when following conditions are met:

- (1) The business combination contract or agreement has been approved by the internal authority of the company;
- (2) Business combination needs to be or has been approved by the relevant government department;
- (3) The necessary procedures of property transfer have been processed;
- (4) The company has paid the majority consideration and has the ability and plan to pay the remaining;
- (5) The company has, in substance, involved in operating and financial policies making and enjoying related benefits and bearing related risks.

The identifiable assets acquired and liabilities assumed shall measure at their acquisition-date fair values as consideration transferred, the difference between its fair value and carrying value shall be recognized in current profit and loss.

The company shall recognize the difference between the cost of combination and the fair value of the identifiable net assets as goodwill; if the combination cost is lower than the fair value of the identifiable net assets, it shall be recognized in current profit and loss after review.

The business combination not under the control achieved by step-by-step which belongs to the one package deal is treated as one transaction; for transactions not in one package, where the equity investment is measured under equity method before acquisition, the cost of combination is the aggregate amount of the carrying value of equity investment in acquiree's financial statement before acquisition and additional investment costs need to be paid at the acquisition date. Other comprehensive income arises under equity method before acquisition, the same accounting treatment as invested entity to directly dispose of relevant assets or liabilities shall be adopted when disposal of the investment. Where the equity investment is measured under financial instruments before acquisition, the cost of combination is sum of its fair value and further investment costs need to be paid at the acquisition date. The differences between the fair value and carry value and other comprehensive income which have been recognized before acquisition shall be recognized as investment income.

4. Costs related to acquisition

Acquisition-related costs, such as audit fee, legal service, assessment and consulting fees and other directly attributable costs are recorded in current profit or loss when the acquirer consumes the related services. Costs related to the equity securities reduce the proceeds received from the securities and are deducted equity. Costs related to the equity securities reduce the proceeds received from the securities and are deducted equity (Costs of issuing equity securities for acquisition, out of which those directly attributing to equity transactions can be deducted from equity).

(vi) Preparation of consolidated financial statements

1. Consolidation scope

The consolidation scope of consolidated financial statements is determined on the basis of control. All subsidiaries are included in consolidated financial statements (including every individual entity controlled by the company).

2. Consolidation procedure

The company prepares the consolidated financial statements based on financial statements of the parent company and each subsidiary and the other relevant data. The company treats the entire group as a single economic entity to prepare consolidated financial statements with uniform accounting policy to recognize, measure and present. In this way, the consolidated financial statements reflect financial position, operating results and cash flows of whole group.

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 periods of the company.

All significant intra-group balances, transactions and unrealized profits or losses are eliminated on consolidation to reduce their effects on consolidated financial statements. If the recognition of one intra-group transaction between the parent company and the subsidiary is different when compare the group with parent company and its subsidiaries in preparing consolidated financial statements, it shall be adjusted from the perspective of the parent company.

The portion of subsidiaries' equity, net profits and losses and other comprehensive income for the period that is not attributable to company shall be recognized as non-controlling interests and presented separately in the consolidated financial statements as

minority shareholders' equity, minority interest income and total comprehensive income attributable to minority shareholders. If the losses attributed to minority shareholders exceed its carrying value in the owners' equities at the beginning of the period, the difference shall be adjusted against the minority shareholders' equity.

For a subsidiary acquired under common control, the assets and liabilities (including the goodwill generated when the subsidiary was acquired by the ultimate holding company) should be measured at predecessor carrying value, adjustment made on consolidation shall base on this value.

For a subsidiary acquired not under common control, any adjustment made on consolidation should be based on the fair value of net identifiable assets 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 common control, the beginning balance of the consolidated balance sheet is adjusted; incorporates the revenue, expenses, and profits of the subsidiary from the beginning of the period for consolidation to the end of the reporting period into consolidated income statement. Including its cash flow into the consolidated cash flow statement, and adjusts relevant items in the comparative statements. It shall be deemed that the consolidated reporting entity has existed since the final controlling party began to control.

When subsidiaries acquired through additional investment that under common control, all acquired parties shall be adjusted as current condition when ultimate controlling party begin to control. The acquired entity's results and balance sheet are incorporated as if both entities (acquirer and acquiree) had always been combined, or using the results from the date when either entity joined the group, whereby such a date is later. Profit or loss, other comprehensive income and any changes in net assets that have recognized before acquired rights to control should offset retained earnings and profit or loss of comparative reporting period.

For the subsidiary added due to business combination not involving enterprises under common control, the Company does not adjust the amount at the beginning of the period in the consolidated balance sheet, but only incorporates the revenue, expense and profit of this subsidiary from the date of acquisition to the end of report period into the consolidated profit statement and its cash flow into the consolidated cash flow statement.

When a subsidiary acquired through increase investment that not under same control, the value of equity acquired before acquisition date shall be re-measured at fair value on the acquisition date. The difference between the book value and fair value shall be recognized as current investment income. If the equity measured under equity method before acquisition, the changes in other comprehensive income and other owner's equity (excluding net profit or loss, other comprehensive income and profit distribution) that attributed to the acquirer shall recognize as investment income on the acquisition date; nevertheless, it excludes other comprehensive income arising from changes in the net liabilities or net assets due to re-measurement of 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 revenue, expenses and profits of the subsidiary from the beginning of the period to the date of disposal are included in the consolidated income statement as well as its cash flow is included in the consolidated cash flow statement.

If the company lost control of a subsidiary due to disposal of equity investment or other reasons, the remaining stocks shall be re-measured at their fair value on the date of losing the control. The investment income should be recalculated in the period when the control right is lost, the calculation of the investment income is that the consideration obtained from the equity disposal plus the fair value of the remaining stocks, minus the original share of accumulated net assets, of the subsidiary that the parent company obtained before from the acquisition date. The other comprehensive income and other owner's equity related to original equity investment are transferred to the investment income of the current period when the control right is lost. The other comprehensive income arising from changes in the net liabilities or net assets due to re-measurement of the defined benefit plan by the acquiree is excluded.

2) Disposal Subsidiaries by steps

For transactions disposed by several times until the company loses the control of the subsidiaries, the clauses, conditions and economic affect applicable to one or several the following situations regard as a packaged deal:

- a. The deals are established considering under mutual influence of both entities;
- b. Only these transactions are packaged as a whole can a complete business result be achieved;
- c. The deal could occur depending on at least the occurrence of one transaction;
- d. Without considering the other transactions, the deal by itself cannot be treated as economic.

Where the equity investment for a subsidiary is disposed of step by step through multiple transactions till the control right is lost

and all the transactions belong to a package deal, accounting treatment shall be performed for the transactions by deeming all the transactions as one item for disposing of the subsidiary and losing the control right; however, prior to loss of the control right, the difference between every disposal price and the share of net assets of this subsidiary to be enjoyed accordingly for investment disposal shall be recognized as other comprehensive income in the consolidated financial statements and, at the time of losing the control right, be jointly transferred to the profits or losses in the period when the control right is lost.

Where the equity investment for a subsidiary is disposed of step by step through multiple transactions till the control right is lost and the transactions do not belong to a package deal, all the transactions before loss of the right to control shall be treated according to the regulations of the Company on partial disposal of the subsidiary's long-term equity investment provided that the Company does not lose the right to control of subsidiary.

(3) Purchase minority interests of subsidiary

In the consolidated financial statements, the difference between the long-term equity investment newly obtained because of acquisition of minority shareholders' stocks and the share of net assets of the subsidiary to be enjoyed and continuously calculated according to the proportion of newly added shares from the acquisition date or consolidation date is adjusted to capital reserve; if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

(4) Disposal of subsidiary investment without losing control of subsidiary

For the transaction which part of equity investment is disposed of but the control of the subsidiary is not lost, in the consolidated financial statements, the difference between the disposal price and the share of net assets of the subsidiary to be enjoyed for disposal of the long-term equity investment and continuously calculated from the acquisition date or consolidation date to the disposal date is adjusted to capital reserve (capital premium or capital stock premium); if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

(vii) The Classification of joint arrangements and accounting treatment for joint operation

1. The classification of joint arrangements

The classification of joint arrangements shall consider its structure, legal form, agreed terms and other facts and conditions. 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 operation; a joint arrangement that is structured through a separate vehicle is usually considered as a joint venture. If any solid evidences (the following criteria and related law requirements) that a joint arrangement meet, it can be classified as a joint operation:

- (1) Each joint operator has rights to assets and obligations for liabilities according to the legal form of joint arrangement;
- (2) Each joint operator has rights to assets and obligations for liabilities according to the contractual arrangement;
- (3) Other facts and conditions show when the joint operators have rights to assets and obligations for liabilities, e.g. joint operators take majority output of the joint arrangement and also continuously relies on joint operators to pay off debts.

2. The accounting treatment of joint operation

The company recognizes the following items related to percentage of interest in joint operation and performs accounting treatment in accordance with provisions of the corresponding Accounting Standards for Business Enterprises:

- (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;
- (5) its expenses, including its share of any expenses incurred jointly.

Provided that the company invests assets into or sells assets to joint operation (except that the assets for business), before the assets are sold to a third party by the joint operation, the company recognizes only the share of the profits or losses arising from this transaction that is attributable to other participants in the joint operation. In case that the invested or sold assets involving the impairment loss which complying with provisions in the Accounting Standard for Business Enterprises No. 8 - Impairment of Assets, the Company shall recognize the loss in full.

Where the Company purchases assets from the joint operation (unless the assets constitute a business), before the assets are sold to a third party, the company recognizes only the share of the profits or losses arising from this transaction that is attributable to other participants in the joint operation. In case that the purchased assets involving the impairment loss which complying with provisions in the Accounting Standard for Business Enterprises No. 8 – Impairment of Assets, the Company shall recognize this part of loss

according to the investment proportion.

The company does not exercise joint control over the joint operation, if the company has right to assets and obligations for liabilities, above accounting treatments shall be undertaken; otherwise, accounting treatments shall be applied according to relevant accounting standards.

(viii) Cash and cash equivalents

Cash refers to all cash on hand and deposit held at banks for payment at any time. Cash equivalents refer to short-term (within three months from the due date), highly liquid investments held by the company 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

At the time of initial recognition of foreign currency transaction, the amount of the foreign currency shall be translated into the amount of RMB at the spot exchange rate of the transaction date.

At the end of each reporting period, foreign currency monetary items are translated by using the closing rate, exchange differences arising on the settlement of monetary items recognize in profit or loss of current period, except that foreign currency borrowings relating to assets of which the acquisition or production satisfies the capitalization conditions is capitalized in accordance with the Accounting Standards for Business Enterprises No. 17 Borrowing Costs. Non-monetary items that are measured on a historical cost basis are translated by using the exchange rate at the date of the transaction and any fluctuation of exchange rate does not affect their amount in functional currency.

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

2. Translation of foreign currency- financial statements

Assets and liabilities of each statement of financial position presented shall be translated at the closing rate on the balance sheet date; the equity items, except the undistributed profits, shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the average exchange rate. Above exchange differences shall be recognized in other comprehensive income.

For 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, are reclassified from equity to profit or loss. For the disposals of partial equity interests or other reasons leading to the decrease in shares without losing control of the foreign subsidiaries, the exchange differences relating to the disposal of the foreign operation are attributable to the minority shareholders rather than being transferred to profit or loss. For the disposals of equity interests in the foreign operation of which the form is the associates or the joint ventures, the proportionate share of the accumulated exchange difference arising on the 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

The company classifies financial instruments into different categories at initial recognition depending on contractual terms, business substance and intention of holding the financial assets and the financial liabilities rather than legal form only: financial assets (financial liabilities) at fair value through profit or loss for the period; held-to-maturity investments; loans and receivables; available-for-sale financial assets and other financial liabilities.

2. Recognition and measurement of financial instruments

(1) Financial assets (financial liabilities) at fair value through profit or loss for the period

The financial assets (financial liabilities) at fair value through profit or loss for the period, including the financial assets (financial liabilities) held for trading or directly designated as measured at fair value through profit or loss for the 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 short 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 the designated and effective hedging instrument, the derivative of the financial guarantee contract, the derivative linked to the equity instrument that does not be quoted in the active market and does not have reliable measurement for fair value, and also the derivative is only settled when the associated equity instrument is settled.

A financial asset (financial liability) could be measured originally at fair value through profit or loss when meeting one of the following conditions:

- a. The designation eliminates or significantly reduces the inconsistencies of the measurement or the recognition associated with income and loss between the financial assets and the financial liabilities;
- b. The official documents about risk management or investment strategy have stated that a portfolio of financial liabilities, a portfolio of financial assets or a portfolio of financial assets and liabilities are managed and evaluated on a fair value basis and information about the group is provided internally to the entity's key management;
- c. A contract contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear that the separation of the embedded derivative(s) is prohibited;
- d. A hybrid tool that contains embedded derivatives that need to be split but cannot be measured separately at beginning date or the following balance sheet date.

For the financial assets and financial liabilities measured at fair value through profit or loss for the period, the company recognizes the initial measurement of the financial instruments at fair value (deducting cash dividends that have been declared but not been paid yet or Interest on bonds that are due for payment but have not yet been paid) and the relevant transaction cost is recorded in the profit or loss. During the holding period, the interest or cash dividend received is recognized as investment income and the variation of fair value at the end of the reporting period is recognized as profit or loss in the current period. At disposal, the change in the fair value of the asset between the trade date and the settlement date is recognized as Investment income, at the same time, the item of profit and loss on the changes in fair value is 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, the initial measurement of these are recognized at the contract amount; the initial measurement of the receivables with a finance purpose nature recognized at present value.

As the receivables are collected or disposed, the difference between the recoverable amount and the carrying amount is recorded as profit 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 company has the positive intention and ability to hold to maturity.

The company recognizes the initial value of the held-to-maturity investments at the sum of fair value (exclude interest due but not received) and the related transaction fees. During the holding period, using the effective interest rate and amortized cost recognizes interest income and records profit or loss. The effective interest rate is recognized at the date of gain and will remain the same within the expected duration of hold or a reasonable shorter duration. When the held-to-maturity investments are disposed, the difference between the price obtained and its carrying amount is recorded to the investment income.

If, as a result of a change in the intention or the 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 the other comprehensive income, and record as profit or loss at the time the assets impaired or terminated. However, there are exceptions as following:

- 1) Date of sale or re-classification close to the date of maturity (such as three months prior to the maturity), and the change of the market interest rate does not affect the asset fair value in notable level;
- 2) The company has collected almost entire principal according to the payment terms in the contract;
- 3) The action of sale or the reclassification was a result of the independent event that uncontrollable, not expected to 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 the initial recognition as available-for-sale and those financial assets that are not classified as the other financial assets.

Available-for-sale financial assets are initially measured at fair value along with the sum of related transaction expenses (deducting cash dividends that have been declared but not been paid yet or Interest on bonds that are due for payment but have not yet been paid). The interest income or cash dividend during the holding period is recognized as investment income. 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. At the disposal of the available-for-sale financial assets, the difference between the amount collected and the carrying value, as well as the cumulative other comprehensive income as a result of change in fair value would be recognized as investment gain or loss.

Available-for-sale financial assets whose fair value cannot be measured reliably and also the derivative that is only settled when the associated equity instrument is settled are measured at cost.

(5) Other financial liabilities

Initial measurement is recognized by the fair value and the related transaction expense, subsequent measurement complies amortized cost method.

3. The recognition and measurement of a financial asset transfer

If the company occurs the transfer of the financial asset and has transferred substantially all the risks and rewards of the ownership of the transferred asset, and then derecognizes if all the risks and rewards of the ownership have been retained, the company should not derecognize the financial assets.

When judging if the transferred asset should be recognized or derecognized, principle of substance-over-form should be used. The company classifies the financial asset transfer as entirely transferred and partially transferred.

If the de-recognition of a financial asset in its entirety meets the de-recognition criteria, the difference between the following two amounts is recognized in profit or loss for the period:

- (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 derecognized, the difference between the following two items is recognized in profit or loss:

- (1) the carrying amount (measured at the date of derecognition) allocated to the part derecognized;
- (2) The sum of the consideration received for the part derecognized (including any new asset obtained less any new liability assumed), and the relevant part of the accumulated variation of fair value that is recorded in the equity before.

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 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 expired. 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 derecognized 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 derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized 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; the quoted price in an active market can be easily and termly obtained including the sources from the exchange, the stock exchange broker, price and regulatory organization and instrument manager or market transactions with high frequencies.

The initial measurement of the financial assets or the financial liabilities is based on a market transaction price, which 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 shall establish fair value by using the valuation technique that is applicable in the current circumstances and has available information to support. Besides that, the company should refer to the current fair value of another instrument that is substantially the same as the company's financial instrument, and be better to choose observable amount. When the observable inputs cannot be obtained, the company should use the inputs that cannot be observed.

6. Impairment of financial assets (excluding account receivables)

The company assesses the carrying amount of the financial assets at the end of each reporting period, except for the financial assets measured at fair value through profit or loss for the period. If there is the evidence of financial assets impairment, the company should measure the amount of impairment loss.

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

- (1) significant financial crisis of the issuer or the debtor;
- (2) a breach of the contract, such as a default or delinquency in interest or principal payments;
- (3) the lender, in consideration of the economic or legal reasons, agrees to make the concession for the borrower who has financial difficulty in consideration of the economic or legal reasons, agrees to make the concession for the borrower who has financial difficulty;
- (4) it becoming probable that the borrower will go bankruptcy or other financial reorganization;
- (5) the disappearance of an active market for that financial asset because of financial difficulties from the issuer;
- (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.

Specific impairment method 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 is the initial acquisition cost of the available-for-sale financial assets deducted from the amount of the recovered principal, the amortized amounts, and the impairment losses that have been credited to the profit and loss; 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 an impairment loss has been recognized on an available-for-sale equity instrument, the fair value of the equity instrument decreases in a subsequent period can be reversed from the other comprehensive income to the profit or loss for the period, although the financial asset does not be derecognized. The amount of the accumulated other comprehensive income is the initial amount of the held-for-sale financial asset deducted from recoverable principal, amortized cost, fair value and the balance sheet of the accumulate 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 or loss. However, for equity instrument that has no quotation value in the active market and the fair value could not be properly measured, or the derivative financial assets linked to and settled through the equity instrument has sign of impairment, the loss shall not be reversed.

(2) Impairment of held-to-maturity investments

If there are the objective evidences show that a financial asset carried at amortized cost occur impairment, 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 present separately in the 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 and other account receivable (with significant amount) identifies where there is any objective evidence to prove that whether such receivables have 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 and the carrying amount. If an item does not show sign of impairment during the inspection but with the same credit risk features with other account receivable group, an extra inspection 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 of account receivable	Subsidiaries related receivables
Combination 2	Percentage accruing of account receivable	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 Provision	Percentage (%) of Other Receivable Provision
Combination 1	0.00	0.00
Combination 2	8.00	8.00

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 value and recoverable amount shall be recognized as impairment loss through profit or loss for the period.
Accruing Method	Recognized individually

(xii) Inventory

1. The classification of inventory

Inventories comprise goods in transit, raw materials, revolving material, finished goods, work in process, goods shipped in transit, consigned processing materials and consumable biological assets, etc.

2. The measurement of inventories

Initial measurement of inventories should be at cost, which including costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost method is assigned to measure the inventories.

3. Recognition of net realizable value and measurement of the impairment of inventories

At the balance sheet date, the inventories are measured at lower of cost and net realisable value. The net realizable value of finished goods, merchandise inventories and materials are held for sale is the estimated selling price deduct estimated costs necessary to make the sale(include selling cost and relevant tax fee); the net realizable value of raw materials and revolving that need to be processed is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale (include selling cost and relevant tax fee) ; The net realizable value of inventories held to satisfy a particular sales or service contract should be based on the contract price, where the entity has the inventories that is at an amount above the amount at which the entity can sell in this contract, the net realizable value of the exceed part measured at the ordinary course of business price.

The write-down of inventory to net realizable value is normally made on an individual item basis. However, it might be more appropriate, in some cases, to make the write-down by reference to groups of similar or related items. This would be where items relate to the same product line, have a similar purpose and end use, are produced and marketed in the same geographical area, and cannot practicably be distinguished from other items in that product line.

After a write-down has been made, if the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent. The new carrying value of the inventory would then be the lower of cost and the revised net realizable value, the reversal of the provision is recognised in profit or loss.

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) Assets held for sale

1. Standards of classification of the assets held for sale

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

(1) The asset is available for immediate sale in its current status and is being actively marketed for sale at a sales price reasonable in relation to its fair value.

(2) The sale is highly probable, the management is committed to a plan to sell, the actions required to complete the plan indicate that

it is unlikely that plan will be significantly changed or withdrawn and the sale is expected to complete within one year. A confirmed 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 remote.

2. Measurement of assets held for sale

The company does not depreciate the non-current assets or disposal groups held for sale. The company's carrying amount is higher than the fair value less costs to sale, the impairment loss and allowance for depreciation are recognized, which is included in the current profits and losses.

In the case of a non-current asset or the disposal group which is classified as held for sale, the initial measurement is assumed not to be divided into this category is measured at lower of carrying value and fair value less costs to sale.

These principles are applicable to all non-current assets except for the deferred tax assets IAS12, financial assets within the scope of IFRS 9, assets arising from employee benefits IAS 19, non-current assets that are accounted for in accordance with the fair value model in IAS 40, non-current assets that are measured at fair value less costs to sell in accordance with IAS 41; and contractual rights under insurance contracts as defined in IFRS 4.

(xiv) Long-term equity investment

1. Measurement of investment cost

(1) For long term equity investment acquired through business combination, please refer to Main Accounting Policies and Accounting Estimates IV/V: Accounting treatment for the business combinations under common control and not under common control

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

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

For long-term equity investment acquired through issuing equity securities shall be measured at fair value as initial cost. The transaction costs are related to issue or acquisition of the equity instruments shall be deducted from the equity.

For long-term equity acquired through exchange for non-monetary assets shall be recognized initially at the fair value of assets surrendered when the exchange transaction has commercial substance and the fair value of both assets received and asset given up can be reliably measured, unless there is the solid evidence that the fair value of asset received is more reliable. If the transaction has not met above criteria, the value of long-term equity investment is measured on the carrying value of the assets surrendered plus relevant taxes needed to be paid.

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

2. Subsequent measurement and profit or loss recognition

(1) Cost method

The company adopts cost method to measure long-term equity investment when the company has control over the invested organization, which is measured at its initial investment cost. If there are additional investments or disposal, the cost of the long-term equity investment shall be adjusted.

Except that the consideration paid including cash dividends or profits, the cash dividends or profits declared to distribute by the invested entity shall be recognized as investment income and charged to profit or loss for the current period.

(2) Equity method

For long-term equity investment in joint operations and joint ventures shall be measured by equity method. Where some of the equity investments are indirectly achieved through venture capital institutions, mutual fund, trust companies or other similar entities such as investment and risk funds, these equity investments shall be measured at fair value through profit or loss.

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

Under equity method, the Company recognizes the investment income and other comprehensive income according to its share of net profit or loss and other comprehensive income of the invested organization, and the carrying amount of the long-term equity investments shall be adjusted accordingly; the carrying amount of the long-term equity investments shall be adjusted accordingly; the carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by

an invested organization; for changes in owner's equity of the invested organization other than those arising from its net profit or loss, other comprehensive income and profit distribution, the carrying value of the long-term equity investment shall be adjusted and recorded into the owners' equities.

Under the equity method, the investor's share of the profit or loss of the invested organization shall base on fair value of invested organization's net identifiable assets, measurement shall be made after adjusting invested organization's net income. For the unrealized profits/losses that arise from the transaction between the company and the joint operations or joint ventures shall be offset, the share attributable to the company shall be calculated according to the shareholding proportion. The investment income shall be calculated after deducting the unrealized profits/losses that are attributed to the company.

The company should allocate the loss from long-term equity investment as following sequence: the carrying value of long-term equity investment; if the carrying value is insufficient to absorb the loss, any parts that in substance consisting of the investor's net investment in the invested organization are reduced zero as limit. If the company has assumed additional obligations, the provisions shall be recognized and charged to investment loss for the period.

Where the invested organization makes profits in subsequent periods, above losses shall be reversed after offsetting unrecognized losses, which should set off against in a reverse order that is the carrying value of the relevant recognized provisions, any parts that in substance consist of the investor's net investment in the invested organization, carrying value of long-term equity investment. The remaining profits after reversal shall be recognized as investment income.

3. Changes of accounting methods for long-term equity investment

(1) Fair value method changes to equity method

Where the equity investment held has no control, joint control or significant impact on the invested organization and that are accounted according to the financial instrument recognition and measurement criteria can have significant influence or joint control due to addition of further investment. The initial investment cost after changing accounting method shall be measured at the fair value of equity investment at acquisition date plus additional consideration that need to pay according to the Enterprise Accounting Standard NO.22-Recognition and Measurement of Financial Instrument.

For the equity investment classified as financial assets available for sale, the difference between its fair value and carrying value is recognized in the other comprehensive income. The changes of fair value are recognized as profit or loss for the current period when change the accounting method.

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

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

The equity investment of the invested organization held by the investor with no control, joint control or significant influence records according to the financial instrument recognition and measurement criteria, or the long-term equity investment in joint operation or joint venture that can control the invested organization due to the additional investment, the cost of investment after accounting method adjusted shall be measured at sum of carrying value of original equity investment and additional consideration paid.

Other comprehensive income recognized before acquisition, it shall be treated the same as invested organization dispose of relevant assets or liabilities when dispose of the long-term investment.

Long-term equity investment measured according to Accounting Standards for Enterprise No.22 Measurement and Recognition of Financial Instrument under equity method before acquisition date, the recognized other comprehensive income due to change in fair value shall be transferred to profit or loss of current period when change to cost method.

(3) Equity method transfer to fair value method

If the company loses the joint control and significant influence over the invested entity as a result of partial disposal of shareholding, the long-term equity investment shall be accounted in accordance with "Enterprise Accounting Standard NO.22-Recognition and Measurement of Financial Instrument to measure", the difference between fair value and carrying value shall be recognized as profit or loss for the period.

The other comprehensive income that is recognized under the equity method should be accounted on the same basis as direct disposal of the relevant assets or liabilities by the investment entity when terminating to use equity method.

(4) Cost method transfer to equity method

The company loses the control over the invested entity as a result of partial disposal of equity investment. When prepare individual financial statements, the company still has joint control or significant influence over the invested organizations, the equity method

shall be adopted and the adjustments are made to remaining equity investment as the equity method is applied from the very beginning.

(5) Cost method transfer to fair value method

The company loses control over the invested entity as a result of partial disposal of equity investment, when prepare individual financial statements, the residual equity does not have the joint control and significant influence over the invested entity, the company shall follow the standard of “Enterprise Accounting Standard NO.22-Recognition and Measurement of Financial Instrument to measure”, the difference between fair value and carrying value shall record into profit or loss at the date of loss of control.

4. Disposal of long-term equity investment

For disposal of long-term equity investment, the difference between carrying value and consideration received shall be recognized in profit or loss. For long-term equity investment measured under equity method, the part recognized in other comprehensive income is accounted on pro rata basis upon disposal in the same way as the relevant assets or liabilities are disposed of directly by the invested organization.

For disposal of equity investment in subsidiaries, if the terms, conditions and economic impact of contract meet following criteria with these transactions fulfil at least one of below conditions, these multiple transactions shall be treated as a package deal:

- (1) The design of these transactions is simultaneously dealt with or have considered the mutual effect of others;
- (2) Only these transactions as a whole could achieve a complete business result;
- (3) One of these transactions is triggered by at least one of other transactions occurrence;
- (4) Without considering the other transactions, the deal by itself cannot be treat as economical.

When the Company lost the control over the subsidiary as a result of partial disposal of equity investment which does not belong to one package deal, the accounting treatment in individual financial statements and consolidated financial statements, as follows:

(1) In individual financial statements, the difference between the carrying value of disposed equity investment and consideration received shall be recognized in profit or loss. If the remaining equity investment has joint control or significant influence over invested organization, equity method shall be adopted and adjustments shall be made as the equity method is applied from the very beginning when the company acquired the equity investment. If the remaining equity investment has no joint control or significant influence over the invested organization, it shall treat in accordance with enterprise accounting policy standard 22- the recognition and measurement of financial instrument, at the date of losing joint control or significant influence, the difference between fair value and carrying value shall be recognized in profit or loss.

(2) In consolidated financial statements, the difference between the consideration received and equity proportion of cumulative net assets in invested organization since acquisition date shall adjust capital reserve (share premium), any excess of amount shall adjust retained earnings. When the company lose control of a subsidiary, the remaining equity investment shall be remeasured at its fair value. The difference arising from the sum of consideration received from disposal and fair value of the remaining equity investment minus the equity proportion of cumulative net assets attributable to the parent since acquisition date should be recognized in the profit or loss when it loses 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 loses control of the subsidiary.

If the transactions of disposal belong to one package deal, they should be treated as one transaction, accounting treatments in individual financial statements and consolidated financial statements, as follows:

- (1) In individual financial statements, the difference between consideration received and carrying value arising from disposal of long-term equity investment before the company lose control shall be recognized as other comprehensive income. When the company lose control, it shall be reclassified as profit or loss;
- (2) In consolidated financial statements, the difference between consideration received and share of net assets attributed to the parent company should be recognized as other comprehensive income and reclassified to profit or loss when it loses control.

5. Criteria for judgment of joint control and significant influence

Joint arrangement 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 rights to net assets of the separate entity based on the contractual arrangement, the entity is treated as the joint venture and the equity method should be used. If of the parties have no rights to net assets of the separate entity, the entity should be treated as joint operation. The company recognizes the share of profits of joint operation according to relevant accounting standards.

Significant influence is the investor has power to participate in the financial and operating policies making and decisions of invested

organization but does not control or joint control in policy-making. An entity could demonstrate that it has significant influence over an investment in the following ways:

- (1) Representation on the Board of Directors or equivalent governing body of the invested organization;
- (2) Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- (3) Material transactions between the investor and the invested organization;
- (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 benefit the entity during more than one fiscal year. A fixed asset shall be recognized when the following conditions are met:

- (1) It is probable that the future economic benefits associated with the fixed asset will flow to the enterprise;
- (2) The cost of the fixed asset can be measured reliably.

The fixed assets of the Company are initially measured at cost. The cost of purchasing a fixed asset includes the purchase price, relevant taxes such as import duties and directly attributable costs of bringing the asset to the location and operating condition as expected by management. The cost of self-construction of a fixed asset consists of the necessary expenses incurred for bringing the asset to the condition which is capable for use. A fixed asset invested in by the investors shall be recognized at the value stipulated in the investment contract or agreement except the value is unfair stipulated in the contract or agreement. If payment for a fixed asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is treated as an expense over the period of credit, unless it is capitalized during the period of construction in accordance with the revised version of IAS 23 Borrowing costs.

Depreciation of fixed assets is the systematic allocation of the depreciable amount of an asset over its useful life, and the depreciable amount is the cost of an asset or other amount substituted for cost, less its residual value. In the case of fixed assets with provisions for impairment, the depreciable amount should be determined after deducting the impairment provision and which is systematically allocated over 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 each financial year, the useful life of a fixed asset, the estimated net residual value, and depreciation method are subject to review. If they are different from previous estimates, corresponding adjustments should be made.

Subsequent expenses should be capitalized only if they meet the recognition criteria as an asset. Otherwise they shall be reflected in current profit or loss.

The carrying amount of a fixed asset should be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss, which shall be included in current profit or loss, arising from the disposal, transfer, retirement or damage of an item of fixed assets shall be determined as the difference between the net disposal proceeds and the carrying amount of the item, taking relevant taxes into consideration.

2. Depreciation

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

3. Basis of recognition, valuation and depreciation of fixed assets leased by finance leases

Situations that individually or in combination would normally lead to a fixed asset lease being classified as a finance lease are:

- (1) When the lease term expires, the ownership of the asset is transferred to the Company;
- (2) The Company has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- (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) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- (5) The leased assets are of such a specialized nature that only the Company can use them without major modifications.

At the commencement of the lease term, the carrying amount of fixed assets leased by financing lease should equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The minimum lease payments are recorded as long-term payables, and the difference is recognized as unrecognized financing expenses. The initial direct costs, such as commission, attorneys' fees, travel expenses and stamp duty, are often incurred in connection with specific leasing activities. The costs identified as directly attributable to activities performed by the Company for a finance lease are added to the amount recognized as a fixed asset. Unrecognized financing expenses are amortized with effective interest rate within the lease term.

The depreciation policy for depreciable leased fixed asset should be consistent with that for other depreciable assets that are owned by the entity. If it is possible to reasonably anticipate that the ownership of the asset will transfer to Company by the end of the lease term, depreciation should be made within the useful life of the asset. Otherwise, the depreciation period should be the shorter of the lease term and the useful life of the leased asset.

(xvi) Construction in progress

1. Classification of construction in progress

The cost of self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the assets to the expected conditions for use, including direct materials, labour costs, relevant taxes, borrowing costs which are attributable to construction and indirect costs that should be amortised. The calculation of the Company's construction in progress is itemized.

2. Standards and timing of carrying forward construction in progress to fixed assets

When the constructed items are in the location and condition necessary to be capable of operating in the manner intended by management, their carrying amount shall be included in fixed assets. The constructed items that have reached expected usable condition without final account for completion shall be reflected in fixed assets at their estimated value with the consistent policy of depreciation. Addition adjustment would be made in consideration of actual cost after the final account for completed projects with the depreciated amount unchanged.

(xvii) Borrowing Costs

1. Principles of capitalization of Borrowing costs

The borrowing costs incurred by the Company that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs should be expensed in the period incurred.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, which including fixed assets, investment property, inventories, etc.

Borrowing costs begin capitalizing when all of the following conditions are met:

- (1) Expenditures have been incurred on the qualifying asset, which include only those expenditures that have resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities; and
- (2) Borrowing costs have already occurred; and
- (3) Activities are undertaken that are necessary to prepare the asset for its intended use or sale.

2. Capitalization period of borrowing costs

Period of capitalization commences when the entity first meets all of the above conditions and ceases when the qualifying asset is ready for use, excluding the suspended period.

When the qualifying asset is ready for use or sale, the borrowing costs shall cease to be capitalized.

When an entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalizing borrowing costs when it completes substantially all the activities necessary to prepare the part for its intended use or sale.

When an entity completes the construction of a qualifying asset in parts but no part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare the qualifying asset for its intended use or sale.

3. Suspension period of capitalization

Capitalization of borrowing costs shall be suspended continuously for over 3 months when the acquisition, construction or production of a qualifying asset is interrupted by unexpected activities. The Company does not suspend capitalizing borrowing costs when a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale. Borrowing costs incurred during the period in which capitalization of borrowing costs is suspended shall be recorded into the current profit and loss.

4. Method for calculating the capitalized amounts of borrowing costs

Specific borrowing costs and other costs that an entity incurs in connection with acquisition, construction or production of qualifying assets get ready for their intended use or sale are capitalized as part of the cost of those assets. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized.

The amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate of such general borrowings to the weighted average of the difference between amounts of accumulated expenditures on the asset and the amounts of special borrowings. The capitalization rate is the weighted-average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period.

If there is a discount or premium, the discount or premium amount that should be amortized during each accounting period and recognized by effective interest rate method.

(xviii) Biological assets

1. Recognition of biological assets

A biological asset is a living animal or plant. Biological assets shall be recognised when and only when:

- (1) the enterprise controls the biological asset as a result of past events;
- (2) it is probable that the future economic benefits or services associated with the biological asset will flow to the enterprise;
- (3) the cost of the biological asset can be measured reliably.

2. Classification of Biological assets

The biological assets include consumable biological assets, immature productive biological assets and mature productive biological assets.

3. The initial measurement of biological assets

The biological assets are initially measured at cost.

The cost of purchased a biological asset, includes purchase price, related taxes, transportation, insurance and other expenses that can be directly attributed to the purchased asset.

The cost of cultivating and reproduction of productive biological assets incurred before the productive biological assets be capable of operating in the manner intended by management should be capitalized and subsequent expenditures are expensed in the income statement.

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 by using the straight-line method. At the end of each year, the productive biological assets and consumable biological assets are examined. If there is evidence to prove that the recoverable amount of the productive biological assets or the net realizable value of the consumable biological assets is lower than its carrying value, the provision for impairment of biological assets shall be recorded in current profit or loss. The provision for impairment of productive biological assets shall not be reversed once it has been recognized. If the impairment indicators of consumable biological assets disappeared, reversal should be made within original provision for impairment and recognized to profit or loss.

(xix) Intangible assets and research and development expenditure

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

1. Measurement of intangible assets

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

The cost of a separately acquired intangible asset includes purchase price, related taxes and other expenses directly attributed to the asset for its intended use. If the payment of an intangible asset is deferred beyond normal credit terms, which has financing nature, the cost of the intangible asset is the cash price equivalent.

Intangible assets acquired during debt restructuring are measured on initial recognition at fair value. The difference between the carrying value and fair value is recognized in current profit and loss.

The intangible assets acquired in exchanged for non-monetary assets shall be recognized initially at their fair value of assets surrendered when the exchange transaction has commercial substance and the fair values of both assets received and asset given up can be reliably measured, unless there is solid evidence that the fair value of asset received is more reliable. If there is no commercial substance to the exchange, or the fair values cannot be measured reliably, the value of acquired assets is sum of the carrying value of the assets surrendered and relevant taxes need to be paid. No profit or loss would be recognized there.

The cost of an intangible asset acquired by business combination under common control is the carrying value recognized by the merged party. The cost of an intangible asset acquired in business combination not under common control is its fair value at the acquisition date.

The costs of internal generated intangible assets include: costs of materials and services used or consumed in generating the intangible asset, costs of employee benefits arising from the generation of the intangible asset, fees to register a legal right, amortization of patents and licenses that are used in generating the asset, borrowing costs that are eligible for capitalization and other directly attributable expenditure incurred to create, produce and prepare the asset to be capable of operating in the manner intended by management.

(2) Subsequent measurement

The useful life of an intangible asset should be assessed at the acquisition date.

An intangible asset with a finite useful life is amortized on a straight-line basis over the useful life. If there is no foreseeable limit on the period during which the asset is expected to generate future cash flows, the asset should be regarded as an intangible asset with an indefinite life and should not be amortized.

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

(1) If control over the future economic benefits from an intangible asset is achieved through contractual or other legal rights for a finite period, then the useful life of the intangible asset should not exceed the period of contractual or other legal rights;

(2) If the contractual or other legal rights are renewable without significant cost, the shorter legal life will set the upper limit for an amortization period in this situation;

(3) In the absence of contractual or other legal rights, the period during which the asset is expected to generate future cash flows should be estimated in consideration of various factors, such as typical product life cycles for the asset, expected actions by competitors and opinions from skilled staff;

(4) If the period over which the asset is expected to generate economic benefits for the entity is still unforeseeable based on an analysis of all the relevant factors, the asset should be considered as an intangible asset with an indefinite useful life;

If an intangible asset has a finite useful life, the length of its useful life and amortization method shall be reviewed at the end of each -fiscal year.

3. The basis of intangible assets with indefinite useful life

If an intangible asset has an indefinite useful life, the length of its useful life shall be reviewed at the end of each fiscal year.

4. Provision of impairment for intangible assets

If there is any indication that an intangible asset with a finite useful life may be impaired, the impairment test shall be performed at the end of the fiscal year.

The impairment test shall be performed at the end of each fiscal year no matter whether there is an indication that an intangible asset with an indefinite life may be impaired.

When an impairment test is conducted, the recoverable amount of the asset should be estimated. Recoverable amount is defined as the higher of an asset's fair value less costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

When the recoverable amount of an intangible asset is lower than its carrying value, the carrying amount of the asset shall be its revalued amount, which is equal to the recoverable amount. The impairment loss, the amount by which the carrying amount of an

asset exceeds its recoverable amount, should be recognized in profit or loss and provisions for impairment of intangible assets should be made.

After the impairment loss of an intangible asset is recognized, the amortization should be adjusted prospectively, which is systematically allocated over the remaining useful life after deducting residual value from carrying value.

Once impairment loss of an intangible asset is recognized, it cannot be reversed in subsequent accounting periods.

If there is any indication that an intangible asset might be impaired, the impairment should be identified at the individual asset level, if available. The recoverable amount should be calculated for the cash-generating units (CGUs) to which the asset belongs only when the recoverable amount for the individual asset cannot be identified.

5. The criteria for classification of research phase and development phase

Research phase: original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development phase: the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, etc. before it is available for use or sale.

Expenditure on the research phase of an internal project shall be recognized as an expense when it is incurred.

6. Criteria of capitalization of development expenditure

An intangible asset arising from the development phase of an internal project shall be recognized if, and only if, an entity can demonstrate all of the following:

- (1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (2) Having the intention to complete and use or to sell the intangible asset;
- (3) The way in which the intangible assets generate probable future economic benefits. Among other factors, the entity must be able to demonstrate the existence of a market for the intangible asset's output or for the intangible asset itself; or, if the asset is to be used internally, it must be able to demonstrate the usefulness of the intangible asset;
- (4) The availability of sufficient technical, financial and other resources to complete the development to use or sell the intangible asset;
- (5) Its ability to measure reliably the expenditure attributed to the development stage of intangible asset.

(xx) Impairment of long-term assets

The company assesses, at each reporting date, whether there is any indication that a long-term asset might be impaired. If impairment indicators exist, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of cash-generating unit (CGU) to which the asset belongs shall be determined.

The recoverable amount is defined as the higher of an asset's fair value less costs of disposal and value in use (the present value of the future cash flows that are expected to be derived from the asset).

When the recoverable amount of a long-term asset is lower than its carrying value, the carrying amount of the asset shall be its revalued amount, which is equal to its recoverable amount. The impairment loss should be recognized in profit or loss and provisions for impairment of intangible assets should be made. Once the impairment loss is recognized, it cannot be reversed in subsequent accounting periods.

After the impairment loss of a long-term asset is recognized, the amortization should be adjusted prospectively, which is systematically allocated over the remaining useful life after deducting residual value from carrying value.

The goodwill and intangible assets with indefinite useful life acquired in business combination should be tested annually for impairment no matter whether there is an indication of impairment.

For the purpose of impairment testing, the goodwill acquired in a business combination should be allocated, from the acquisition date, to each of the acquirer's CGUs or groups of CGUs that is expected to benefit from the synergies of the business combination. When an impairment test is performed for CGUs or groups of CGUs with goodwill and the impairment indicators of goodwill within the units or groups exist, the recoverable amount of the unit or group without goodwill should be estimated first so that the impairment loss can be recognized. Then the same steps shall be applied on the unit or group with goodwill. If its recoverable amount is lower than carrying value, the impairment loss of goodwill should be recognized.

(xxi) Long-term deferred expenses

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

The prepaid rent for operating lease of fixed assets shall be amortized on the basis of the period stipulated in the lease contract or

other reasonable methods;

The improvement expenditure of operating lease of fixed assets shall be amortized over the shorter one of the residual lease period and remaining useful life.

(xxii) Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term benefits.

1. Accounting for short-term benefits

Short-term employee benefits are employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include post-employment benefits and termination benefits. The Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for the services as liabilities when services are rendered. The account shall also be reflected in relevant cost or expense according to respective purposes of services.

2. Accounting treatment of post-employment benefits

Post-employment benefits refer to the various benefits after the completion of employment or for termination of employment, excluding short-term benefits and termination benefits. The Company's post-employment benefit plan is defined contribution plan.

The defined contribution plan mainly consists of endowment insurance and unemployed insurance are required by the labour and social security institutions. During the accounting period in which the employee provides services, the amount of contribution shall be calculated based on the defined contribution plan and recognized as liabilities, which shall be reflected in current profit or loss or relevant costs.

After the Company has fulfilled above obligations on a regular basis in accordance with the laws and regulations stipulated by the State, there is no other payment obligation.

3. The accounting treatment of termination benefits

Termination benefits result from either an entity's decision to terminate an employee's employment before the normal retirement date (compulsory termination benefits); or an employee's decision to accept an offer of voluntary redundancy in exchange for those benefits (voluntary termination benefits). The company recognizes a liability and expense for termination benefits at the earlier one of the following dates: when the entity can no longer withdraw the offer of those benefits; and when the entity recognizes costs for a restructuring that is within the scope of IAS 37 provisions, contingent liabilities and contingent assets and involves the payment of termination benefits.

The Company provides early retirement benefits (a type of voluntary termination benefits) to employees who accept early retirement arrangements. This is the benefits paid to employees who accept an offer of voluntary redundancy but have not reach the retirement age as stipulated by the government's laws and regulations. The accounting treatment of early retirement benefits should refer to termination benefits when it met the recognition criteria of termination benefits. The remuneration and other benefits need to be paid since employees terminate services until they reach normal retirement age should be recognized to profit or loss of this year. Any differences caused by changes of actuarial assumptions and benefits adjustments are recognized in profit or loss.

4. Accounting for other long-term employee benefits

Other long-term employee benefits refer to all employee benefits other than short-term remuneration, post-employment benefits, and termination benefits.

When other long-term benefits met the criteria of defined contribution plan, a liability and relevant cost or expense should be recognized when services are provided by employees. The obligations arising from the defined contribution plan should be allocated to the period when they incurred at the balance sheet date, while relevant costs should be recognized in profit or loss.

Provisions

1. Criteria for recognition of provisions

The company shall recognize a provision when all of following conditions are met:

- (1) The company has a present obligation as a result of a past event.
- (2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- (3) The amount of the obligation can be reliably estimated.

2. Methods for the measurement of provisions

The Company initially measured provisions at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

The risks and uncertainties about the amount and timing of cash flows are taken into account in determining best estimate. A provision is measured at the present value of the expected outflow where the effect of the time value of money is material.

The best estimates are treated as follow:

Where there is a continuous range (or interval) for the required expenditure to settle the present obligation, if the necessary expenditures fall within a range and the probability of each result in the range are identical, the best estimate is the median of the range.

Where there is no continuous range (or interval) or there is a continuous range of the required expenditure to settle the present obligation, but the possibility of various outcomes is different, the single most likely outcome will be used if there is one item. If there are severable items involved, every possible result and relevant probability are taken into account for the best estimation.

Where all or part of the expenditures for the provisions of the Company is expected to be reimbursed by a third party, the amount of reimbursement shall be recognized separately as the asset when it is virtually certain will be received. The amount recognized for the reimbursement shall not exceed the carrying amount of the recognized provisions.

(xxiii) Share-based payment

1. The type of share-based payment

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

2. Methods 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. When the market prices are not available, a valuation technique such as options pricing model will be adopted to determine the fair value of equity instruments. All options pricing models take into account the following factors: 1) the exercise price of the option; 2) the life of the option; 3) the current price of the underlying shares; 4) the expected volatility of the stock price; 5) the expected dividends of the underlying shares; and 6) the risk-free rate for the life of the option.

Market conditions of vesting conditions and non-vesting conditions are taken into account when determining the grant date which fair value of the equity instruments granted. When the share-based payments have non-vesting conditions, as long as employees satisfy all non-market conditions (e.g. term of service) under vesting conditions, service costs should be recognized.

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

For each balance sheet date of vesting period, according to the relevant information such as the number of equity instruments expected to vest, the best estimate and the number of equity instruments shall be adjusted. On the vesting date, the final estimate should equal to the number of equity instruments that actually vest.

4. Accounting treatment methods

The equity-settled share-based payment shall be measured at the fair value of equity instruments granted to employees. If the option can vest immediately after the grant, the fair value of equity instruments at the date of grant shall be used to measure the relevant expenses or costs and increase capital reserve prospectively. The equity instruments can only be exercised when service conditions and performance conditions are met during vesting period, at each balance sheet date, the best estimate is adjusted according to the number of employees expected to vest. Service engaged shall be recognize relevant costs or expenses and capital reserves according to its fair value. After vesting period, no further adjustments are made to the relevant costs or expenses as well as the total, amount of the owner's equities which have been recognized.

Cash-settled share-based payments are measured at the fair value of the liabilities which is determined based on the shares or other equity instruments undertaken by the Company. For the cash-settled share-based payments that may be exercised immediately after the grant, the fair value of the liability should be recognized on the date of the grant as well as the relevant costs or expenses. For the cash-settled share-based payments can only be exercised when service conditions and performance conditions are met during vesting period, at each balance sheet date, the best estimate is adjusted to the number of employees expected to vest. Recognize relevant costs or expenses as well as liabilities according to its fair value. Prior to settlement of the liabilities, at each balance date and settlement date, the fair value of the liabilities should be re-measured and differences should recognize to profit or loss.

A grant of equity instruments that is cancelled during the vesting period is treated as an acceleration of vesting. The entity should recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period. If employees or other parties are able to choose to meet non-vesting conditions but have not met during vesting period, the

company will treat it as cancellation for equity-settled awards.

(xxiv) Revenue

1. Timing of revenue recognition

For the sale of goods, revenue should be recognized when all the following conditions have been satisfied: the Company has transferred the significant risks and rewards of ownership of goods to the purchaser, and the Company does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold; the amount of revenue can be measured reliably; the economic benefits associated with the transaction are probable to flow to the enterprise, and the cost incurred or to be incurred can be measured reliably.

Company sales are divided into the dealer sales model and the direct sales model. Under the dealer sales model and direct sales model, the revenue should be recognized when goods are delivered

2. Basis for recognition of revenue arising from transferring assets' use right

The revenue should be recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. Assets' yield interest and royalties are measured as following methods:

(1) The interest shall be determined based on the time other parties occupied and actual interest rate of the monetary funds of the enterprise;

(2) The amount of royalties is calculated in accordance with the time and method stipulated by the contract or agreement.

3. The provision of labor services as the basis and method for recognition

When the outcome of transactions involving the rendering of services can be estimated reliably, revenue should be recognized by reference to the transaction's stage of completion at the balance sheet date.

The transaction's outcome can be estimated reliably when all the following conditions are satisfied:

(1) the amount of revenue can be measured reliably;

(2) The economic benefits associated with the transaction are probable flow to the enterprise;

(3) The stage of the completion of the transaction can be measured reliably;

(4) The relevant costs incurred and to be incurred the transaction can be measured reliably.

The revenue from rendering of services should be recognized based on the amount already received or stipulated in contract or agreement, unless the value is unfair. At balance sheet date, the revenue is recognized by deducting accumulated recognized revenue of previous period from total revenue received multiple by percentage of completion; at the same time, recognize service costs by deducting accumulated recognized costs of previous period from total costs incurred multiple by percentage of completion.

If the results of the rendering service cannot be estimated reliably at the balance sheet date, they should be handled in accordance with following methods:

(1) If the cost incurred are expected to be compensated, revenue shall be recognized as actual costs incurred and the cost of service should be recognized at the same amount;

(2) If the cost incurred is not expected to be compensated, the cost incurred shall be recognized in current profit and loss and no revenue from rendering service should be recognized.

When the Company's contracts or agreements with other enterprises include the sale of goods and services, the items should be treated and measured separately if they are distinguishable; otherwise, all of items shall be treated as sale of goods.

4. Sale and repurchase agreement

A repurchase agreement is a contract in which the Company sells an asset and also promises or has the option to repurchase the asset. Terms of agreement need to be analyzed whether they have met the criteria of recognition for revenue. If the transaction is a financing arrangement, no revenue should be recognized. If repurchase price is higher than selling price, the difference shall be amortized over the repurchase period and recognized in financial cost.

(xxv) Government grants

Government grants are assistance by government in the form of transfers of monetary assets and non-monetary assets to the Company, but do not include the capital invested by the government as an owner. According to the grant form, the government grants are divided into government grants related to assets and government grants related to income.

If there is evidence that the Company can comply with the relevant conditions stipulated in the financial support policy at the end

of the period and is expected to receive financial support funds, the government grants shall be recognized according to the amount receivable. Otherwise, government grants are recognized when they are actually received.

If the government grants are monetary assets, they shall be measured according to the amount received or receivable. If the government grants are non-monetary assets, they shall be measured at fair value. If the fair value can't be obtained reliably, it shall be recognized as the nominal amount (RMB 1). Government grants measured at nominal value are recognized in the current profit and loss.

When a government grant becomes repayable, repayment of the grant related to income shall be applied first against any unamortized deferred credit recognized in respect of the grant. If the repayment exceeds such deferred credit, or if there exists no deferred credit, the repayment shall be recognized in current profit or loss.

When the company acquired subsidized loan, if the interest-subsidy fund is transferred to lending bank, the bank would provide the loan at a below-market rate of interest to the company. The carrying amount of the loan shall be measured at the loan with subsidized interest rate, and financial expense are calculated by multiplying loan principal with subsidized interest rate in this situation; however, if the interest-subsidy fund is transferred directly to company, it shall offset financial expense.

1. Criteria for classification of government grants government subsidies related to assets and accounting treatment government grants

The government grants related to assets refer to the grants which are obtained by the entity for the purposes of purchasing, constructing or forming the long-term assets by other ways. It should be presented by deducting the grant in arriving at the asset's carrying amount.

2. Criteria for classification of government grants related to income and accounting treatment government grants

If a government grant related to income is related to daily operation and used for compensating the related future expenses or losses, the grant shall be recorded into the deferred income. Other income should reflect it when expenses or losses incurred. If a grants is used for compensating expenses or losses which already incurred, other income should reflect it immediately once the grant obtained. If a government grant related to income is not related to daily operation and used for compensating the related future expenses or losses, the grant shall be recorded into the deferred income, and non-operating income should reflect it when expenses or losses incurred. If a grant is used for compensating expenses or losses which are already incurred, non-operating income should reflect it immediately once the grant obtained.

(xxvi) Deferred tax assets and deferred tax liabilities

Deferred tax assets or deferred tax liabilities are recognized based on the difference between the tax base and carrying amount (temporary difference). At the balance sheet date, deferred tax assets or deferred income tax liabilities are measured at the applicable tax rate during the period which the assets are expected to be recovered or liabilities are expected to be settled.

1. Recognition of deferred tax assets

The company recognizes deferred tax assets as the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. However, deferred tax assets arising from the initial recognition of assets or liabilities in a transaction that:

- 1) is not a business combination;
- 2) at the time of the transaction, it does not affect the accounting profit or taxable profit (tax loss).

The entity should also recognize a deferred tax asset for all deductible temporary differences associated with investments in associates and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that: the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilized.

2. Recognition deferred tax liabilities

The Company shall recognize a deferred tax liability based on the taxable temporary difference of current and previous period. However, it does not include temporary difference arises from:

- (1) The initial recognition of goodwill;
- (2) The initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, does not affect accounting profit or taxable profit (tax loss);
- (3) Investment in subsidiaries, branches and associates, and interests in joint arrangements in the situation where the parent, investor or joint venturer is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary

difference will not reverse in the foreseeable future.

(xxvii) Lease

1. Accounting Treatments of operating lease

(1) Accounting by lessees

Lease payment made under operating leases should be recognized as an expense on a straight-line basis over the lease term (including rent-free period). Initial direct costs directly attributable to the operating leases are expensed.

Lease payments which have already deducted the part undertaken by lessor should be recognized as an expense on a straight-line basis over the lease term.

(2) Accounting by lessors

Lease income from operating leases should be recognized as an income on a straight-line basis over the lease term (including rent-free period). Initial direct costs directly attributable to the operating leases are expensed. If the amount is material, the costs are added to the carrying amount of the leased asset, and they are recognized as an expense over the lease term on the same basis as the lease income.

When the lessor undertook expense that should be borne by the lessee, the lessor should deduct the expense from rental income and allocate it over lease term.

2. Accounting treatments of finance lease

(1) Accounting by lessees: At the commencement of the lease term, the sum to be recognized both as an asset and as a liability should be the lower one of the fair value of the leased asset and the present value of the minimum lease payments. The entity recognizes the minimum lease payments as long-term payables and the differences between fair value and present value of minimum lease payments is recognized as unrecognized financing costs. Criteria for recognition and methods of valuation and depreciation of fixed assets under finance leases please refer to Note 4(15) Fixed Assets.

The Company adopts the effective interest method to amortize the unrecognized financing expenses over the lease term; meanwhile, recognize financial expenses.

(2) Accounting by lessors: At the commencement of the lease term, the difference between the sum of minimum lease payments of the lessee plus any unguaranteed residual value and its present value should be recognized as unrealized financing income, which is allocated over the lease term. Initial direct costs directly attributable to the finance leases are included in the initial measurement of finance lease receivables; in the meantime, reduce rental income over the lease term.

(xxviii) Other critical accounting policies, accounting estimates and method for preparing financial Statements

1. Discontinued operations

The company defines a discontinued operation as a component of the entity and it either has been disposed of, or is classified as held for sale. And:

- (1) represents a separate major line of business or geographical area of operations;
- (2) It is part of a single plan to dispose of the a separate major line of business or geographical area of operations;
- (3) It is a subsidiary acquired with a view to resale.

Impairment loss, reversal of impairment loss and gain or loss on disposal are presented in the income statement.

2. Repurchase share

The company repurchases shares for cancellation, reducing registered capital. When the Company repurchases shares, they are all recognized in treasury shares. If the cancellation made after repurchase, it will decrease the share capital at its par value, any exceeds amount should make adjustment to capital reserve or retained earnings when capital reserve is insufficient.

3. Hedge accounting

In order to avoid some risks, the company uses some financial instruments as hedging instruments. If some specific conditions are satisfied, the company will choose respective hedge accounting method. The company hedge includes fair value hedge and cash flow hedge. Firstly, the company records relationship between hedging instruments and hedged items, risk management objectives and relevant hedge trading strategy. Besides, according to Accounting Standards for Business Enterprises, the company will continuously evaluate the effectiveness of hedging to check whether the hedging relationship is highly effective during the accounting period.

(1) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm

commitment, or an identified portion of such an asset, liability or firm commitment. Its change in value arises from a particular type of risk and will have an impact on current profit and loss.

The gain or loss from re-measuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk shall be recognized in profit and loss. The net effect of the two as the invalid part is recognized in current profit and loss.

If the hedge no longer meets the requirements of hedge accounting, adjustment to the carrying amount the hedged items for which the effective interest method is used shall be amortized to profit and loss from termination date to due date. If hedged items would be de-recognized, unamortized carrying amount would be recognized in current profit and loss.

(2) Cash flow hedge

Cash flow hedge aims at risk of change in cash flow. The change of cash flow comes from recognized assets or liabilities (such as all or part of future payments on foreign currency debts) and the specific type of risk of probable expected transaction. It has an impact on current profits and losses.

The valid part of gain or loss from the hedging instrument of cash flow hedge at fair value shall be recognized in other comprehensive income and accumulatively transferred into stockholder equity. Invalid part shall be recognized in current profit and loss. The transferred accumulated gain or loss in Stockholders' equity shall be transferred into current profit and loss in the same accounting period.

If the hedging instruments have expired, been sold or no longer been defined as hedging instrument, or hedge relationship no longer meet the requirements of hedge accounting, transferred accumulated gain or loss in Stockholders' equity shall stay the same temporarily. If expected transaction happened, it shall be transferred to current profit and loss in the period of transaction happening. If expected transaction is expected not to happen, it shall be transferred from accumulated gains or losses in Stockholders' equity to current profit and loss.

4. Major accounting judgments and estimates

In the process of applying accounting policies, the company needs to make judgements, estimates and assumptions about the carrying value of the report item which cannot be measured accurately due to the inherent uncertainties of the business activity. These judgments, estimates and assumptions are based on the past experience of the company's management in consideration of other relevant factors. The uncertainties will result in differences between real outcome and estimation by management.

Previous judgments, estimates and assumptions are periodically reviewed ongoing concern basis and the changes in the accounting estimates only affect the current period. The affected amount is recognized in profit or loss. When the changes have influence on both current and future period, prospective application method shall be adopted.

On the balance sheet date, the company's key reporting items need management to make judgments, estimates and assumptions, as follows:

(1) Depreciation and amortization

After considering the residual value of fixed assets and intangible assets, straight-line depreciation and amortization methods are applied to their useful life. The company periodically reviews assets' useful lives to determine their depreciation/amortization recorded in each period. The useful life of an asset is determined by past experience on similar assets used by entity and the expected process of technology. If previous accounting estimates have changed, depreciation/amortization shall be adjusted in future period.

(2) Deferred tax asset

The realization of deferred tax assets depends on the future taxable profits and tax rate applied to temporary difference. When future profits and tax rate are below expectation, the deferred tax assets which have been recognized shall be reversed and recorded in consolidated income statement. Due to the availability of future taxable profits to offset the deductible temporary difference is uncertain, the deferred tax assets may not recognize fully.

(3) Corporate income tax

The company pays corporate income tax in many regions. In normal business activities, there is uncertainty about the tax treatment of some transactions and matters; therefore, the company needs to make a major judgment when it comes to the corporate income tax computation for various regions. If the final result is different from initial estimates, the difference will have an impact on income tax expense and deferred tax assets of final period.

(xxix) 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 Notice of the format of 2018 general corporate financial statements (finance and accounting (2018) No.15). The company revises the format of financial statements and previous comparative data	On October 29, 2018, the company's ninth session of the Board of directors, the fifth meeting of the Ninth Board of Supervisors to consider and adopt the "Company discussion on change in accounting policy"	The statement on affected parts of 2017 financial is shown in the other description

Other description

Previous financial statement items	Amount	Adjusted financial statement items	Amount
Notes receivable	163,597,000.00	Notes receivable& Accounts receivable	949,737,204.59
Accounts receivable	786,140,204.59		
Interest receivable	188,447,046.71	Other receivables	233,108,843.82
Dividends receivable			
Other receivables	44,661,797.11		
Fixed assets	13,256,390,281.64	Fixed assets	13,256,390,281.64
Disposal of fixed assets			
Construction in process	1,887,857,336.13	Construction in process	1,902,065,636.71
Engineering material	14,208,300.58		
Notes payable	215,276,807.81	Notes payable& Accounts payable	7,469,156,278.60
Accounts payable	7,253,879,470.79		
Interest payable	9,326,783.74	Other payables	1,351,467,319.98
Dividends payable	73,131,211.86		
Other payables	1,269,009,324.38		
Long-term payable	64,037,282.56	Long-term payable	64,037,282.56
Special payable			
Administration expenses	3,317,048,744.48	Administration expenses	3,107,883,480.86
		Research and Development expenses	209,165,263.62

(i) 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 (VAT)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	Output VAT rate were 6%, 10%, 11%, 16%, 17% and zero.
City maintenance and construction tax	The amount of VAT paid multiplied by the applicable tax rate	1%, 5%, 7%
Corporate income tax	Levied based on adjusted taxable income	15%, 25%, 28% (New Zealand), 16.5% (Hong Kong), 20% (Netherland), USA Federal rate 21%, State rate 7.5%

Disclosure of the existence of different corporate taxpayer income tax rates

Entities	Tax rate (%)
YILI INTERNATIONAL DEVELOPMENT CO., LIMITED	16.5
HONGKONG JINGANG TRADE HOLDING CO., LIMITED	16.5
SILVER HARBOR LLC.	USA Federal rate 21, State rate 7.5
Yili Innovation Center Europe B.V.	20
Oceania Dairy Limited	28

(ii) 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 2018.

(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 of monetary is Chinese Yuan, 'CNY', unless otherwise indicated)

Note 1. Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash on hand	618.83	869.24
Bank deposits	10,437,379,717.25	20,611,262,108.72
Other monetary items	613,623,317.94	1,211,803,197.54
Total	11,051,003,654.02	21,823,066,175.50
Include: Total cash and cash equivalent deposit overseas	6,357,499,926.75	6,114,028,536.51

The Other monetary items mentioned above detailed as follows:

Item	Ending balance	Beginning balance
Funds in transit with POS	263,700,276.85	145,233,152.94
Guarantee	67,704,917.27	56,582,162.23
Legal deposit reserve in central bank	278,368,123.82	1,009,987,882.37
Excess deposit reserve in central bank	3,850,000.00	
Total	613,623,317.94	1,211,803,197.54

Restricted monetary items detailed as follows:

Item	Ending balance	Beginning balance
Deposits not available before maturity		516,218.89
Legal deposits reserve in central bank	278,368,123.82	1,009,987,882.37
Guarantee	67,704,917.27	56,582,162.23
Total	346,073,041.09	1,067,086,263.49

Statement of restricted monetary items:

The legal deposit reserve in the central bank is deposited by 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 customers to provide loans to the bank.

By the end of December 31, 2018, aside from the above restricted monetary funds, the Company has no other restrictions on funds due to pledges, freezing and other reasons.

Note 2. Financial assets at fair value through profit or loss for the period

Item	Ending balance	Beginning balance
Trading financial assets subtotal	498,843.46	
Debt instrument investment		
Equity instrument investment		
Derivative financial assets	498,843.46	
Other		
Financial assets measured at fair value and change recorded in current profits and losses subtotal		
Debt instrument investment		
Equity instrument investment		
Other		
Total	498,843.46	

The note of financial assets at fair value through profit or loss for the period:

Derivative financial assets are that subsidiaries use hedging instrument (forward foreign exchange contract) to hedge prospective trading for avoiding exchange rate fluctuation. The type is cash flow hedging.

The increasing reason of financial assets at fair value through profit or loss for the period: the change of subsidiaries hedging instrument (forward foreign exchange contract) fair value.

Note 3. Notes receivable & Accounts receivable

Item	Ending balance	Beginning balance
Notes receivable	181,100,000.00	163,597,000.00
Notes receivable	1,101,026,608.06	786,140,204.59
Total	1,282,126,608.06	949,737,204.59

1. Notes receivable

(1) The classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptance notes	181,100,000.00	163,597,000.00
Commercial acceptance notes		
Total	181,100,000.00	163,597,000.00

(2) There are no pledged notes at the end of the period

(3) The notes receivable that the company has endorsed or discounted but not yet due at the end of the period

Item	Terminated the recognized amount at the ending balance	No terminated the recognized amount at the ending balance
Bank acceptance notes	262,350,000.00	
Commercial acceptance notes		
Total	262,350,000.00	

(4) There are no notes carried forward to accounts receivable due to failure of performance by the drawer at the end of the period.

2. Accounts receivable

(1) The accounts receivable is disclosed by type

Item	Ending balance				
	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Receivables with significant single amounts and single impairment provision appropriated					
Accounts receivables with provision for bad debts based on credit risk characteristics	1,196,768,052.26	99.98	95,741,444.20	8.00	1,101,026,608.06
Other insignificant accounts receivable with single bad debt provision appropriated	182,350.27	0.02	182,350.27	100.00	
Total	1,196,950,402.53	100.00	95,923,794.47		1,101,026,608.06

Continued:

Item	Beginning balance				
	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Receivables with significant single amounts and single impairment provision appropriated					
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
Other insignificant accounts receivable with single bad debt provision appropriated	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

(2) Statement of account receivables classification:

In the combination, accounts receivable with bad debt provisions provided by the percentage of receivable method:

Combination type	Ending balance		
	Account receivables	Provision for bad debts	Percentage (%)
Combination 2	1,196,768,052.26	95,741,444.20	8.00
Total	1,196,768,052.26	95,741,444.20	8.00

Description of the basis of the combination:

The receivables, which are similar in nature, risk management methods and have the same credit risk, and are expected to have similar future cash inflows are classified as one combination. Combination 2 are primarily trade receivables from retail supermarkets and online retailers.

(3) Provision for bad debts and it's reclaim and reversal within the report period

Provision for bad debts for the period is 27,707,258.12; No Provision for bad debts has been reclaimed or reversed.

(4) There was accounts receivable actually written off in this period

Item	Written off amount
Accounts receivable of written off	4,231,081.79

(5)Top 5 debtors for the period state as follow

Debtors	Ending balance	Percentage of receivable account for total receivables (%)	Provision for bad debts
The first	237,321,099.27	19.83	18,985,687.94
The second	196,723,001.74	16.44	15,737,840.14
The third	113,433,320.91	9.48	9,074,665.67
The fourth	77,024,993.37	6.44	6,161,999.47
The fifth	56,466,746.08	4.72	4,517,339.69
Total	680,969,161.37	56.91	54,477,532.91

(6) During the reporting period, there was no accounts receivable de-recognized due to transfer of financial assets.

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

(8) Statement of account receivable

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

Note 4. Prepayments

1. Prepayments presented by aging

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,451,327,809.06	99.43	1,191,649,756.86	99.94
Above 1 year and less than 2 years	8,147,080.09	0.56	614,614.64	0.05
Above 2 year and less than 3 years	93,360.60	0.01	127,241.68	0.01
More than 3 years	32,726.80		42,562.86	
Total	1,459,600,976.55	100.00	1,192,434,176.04	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 suppliers at ending balance of the year

Debtors	Ending balance	Percentage of prepayments account for total prepayments (%)	Prepayment time	Reason of unsettle
The first	619,000,643.32	42.41	Within 1 year	Service not provided
The second	162,958,246.28	11.16	Within 1 year	Service not provided
The third	101,425,938.25	6.95	Within 1 year	Goods not delivered
The fourth	97,157,763.46	6.66	Within 1 year	Goods not delivered
The fifth	82,333,887.68	5.64	Within 1 year	Goods not delivered
Total	1,062,876,478.99	72.82		

Note 5. Other receivables

Item	Ending balance	Beginning balance
Interest receivable	86,527,903.76	188,447,046.71
Dividends receivable		
Other receivables	68,031,255.00	44,661,797.11
Total	154,559,158.76	233,108,843.82

1. Interest receivable

(1) Interest receivable classification

Item	Ending balance	Beginning balance
Fixed time deposit	22,971,587.67	22,387,621.99
Entrusted loan		
Bond investment		
Loan Interest	13,092,796.84	700,747.96
Interest of deposit in the central bank and deposit of interbank	28,208,180.04	165,358,676.76
Redemptory financial assets for Sale	20,393,421.39	
Principal-guaranteed floating income securities financial products	1,861,917.82	
Total	86,527,903.76	188,447,046.71

(2) There is no significant over-due interest.

(3) Statement of interest receivable

Loan Interest come from subsidiary Yili Finance Co. and Inner Mongolia Huishang Finance Guarantee Co. provide loan for supplier. The interest of redemptory financial assets for Sale is that subsidiary Yili Finance Co. bought reverse bond repurchase and pledged offer repurchase.

The decrease for the period was a consequence of: the company's subsidiary Yili Finance Co., Ltd. had taken back its central bank and other company interest for the period.

2. Other receivables

(1) Other receivables are disclosed by type

Classification	Ending balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with significant single amounts and single impairment provision appropriated					
Accounts receivables with provision for bad debts based on credit risk characteristics	73,947,016.32	79.96	5,915,761.32	8.00	68,031,255.00
Other insignificant receivables with single bad debt provision appropriated	18,532,839.80	20.04	18,532,839.80	100.00	
Total	92,479,856.12	100.00	24,448,601.12		68,031,255.00

Continued:

Classification	Beginning balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with significant single amounts and single impairment provision appropriated					
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
Other insignificant receivables with single bad debt provision appropriated	18,515,501.11	25.54	18,515,501.11	100.00	
Total	72,509,239.72	100.00	27,847,442.61		44,661,797.11

(2) Instructions of other receivables classification

Use the percentage of accounts receivables method to accrual bad debts for other receivables in the combination.

Combination type	Ending balance		
	Other receivables	Provision for bad debts	Percentage (%)
Combination 2	73,947,016.32	5,915,761.32	8.00
Total	73,947,016.32	5,915,761.32	8.00

Description of the basis of the combination:

Accounts receivables with similar nature, risk management and have same credit risk and similar in the expected cash flow are recognized as one combination. Combination 2 is deposit, guarantees, and supportive receivables and payables for farmers, advances and etc.

(3) Provision for bad debts and its accrual and reversal

Provision for bad debts for the period is 2,536,005.92 RMB; Provision for bad debts accrual or reversal is 115,950.00 RMB.

(4) Other receivables actually written off during the reporting period

Item	Written off amount
Other receivables actually written off	5,820,200.00

(5) Other receivables classified by nature

Item	Ending balance	Beginning balance
Deposits and guarantees	48,544,975.50	21,977,633.41
Advance money for another	41,371,381.11	22,716,480.57
Loans to herd famers		7,250,000.00
Loans to milk famers		100,480.87
Supportive receivables and payables to milk famer's development	1,337,683.46	1,507,693.21
Fixed assets disposal	1,225,816.05	18,956,951.66
Total	92,479,856.12	72,509,239.72

(6) The top five Other Receivables at the end of the period collected by the arrears

Name of entities	Nature of payment	Ending balance	Aging	Percentage of other receivables at the end of year	Provision for bad debts ending balance
The first	Deposits and guarantees	21,394,749.71	Within 1 year	23.13	1,711,579.98
The second	Supportive payment	10,822,400.00	Within 1 year	11.70	865,792.00
The third	Deposits and guarantees	5,115,865.32	Within 1 year	5.53	409,269.23
The fourth	Deposits and guarantees	3,752,438.99	Within 1 year	4.06	300,195.12
The fifth	Supportive payment	3,043,496.00	Within 3 yea	3.29	3,043,496.00
Total		44,128,950.02		47.71	6,330,332.33

(7) No other receivables that are involved in government subsidies at the end of the reporting period.

(8) No other receivables that are de-recognized as a result of the transfer of financial assets at the end of the reporting period.

(9) No transfer of other receivables and continuously involves in forming assets and liabilities during the reporting period.

Note 6. Inventory

1. Inventory by Categories

Item	Ending balance			Beginning balance		
	Book balance	Inventory allowance for depreciation	Carrying value	Book balance	Inventory allowance for depreciation	Carrying value
Raw materials	2,790,119,193.44	2,829,935.63	2,787,289,257.81	2,321,254,616.53	1,193,514.74	2,320,061,101.79
Products in progress						
Inventory	2,014,294,447.41	213,501.66	2,014,080,945.75	1,694,458,022.56		1,694,458,022.56
Reusable materials						
Consumable biological assets						
The completed and unliquidated assets formed by the construction contract						
Packaging Materials	343,270,973.96		343,270,973.96	304,566,434.41	7,342,813.73	297,223,620.68
Low value consumables				36,106.84		36,106.84
Semi-finished products	372,133,538.22	9,700,751.89	362,432,786.33	304,068,891.18	5,841,864.72	298,227,026.46
Consigned processing materials				31,845,615.14	1,857,627.68	29,987,987.46
Total	5,519,818,153.03	12,744,189.18	5,507,073,963.85	4,656,229,686.66	16,235,820.87	4,639,993,865.79

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 materials	1,193,514.74	2,652,852.30		1,013,202.27	3,229.14	2,829,935.63
Products in progress						
Inventory		215,321.22			1,819.56	213,501.66
Reusable materials						
Consumable biological assets						
The completed and unliquidated assets formed by the construction contract						
Packaging Materials	7,342,813.73			7,318,390.96	24,422.77	
Low value consumables						
Semi-finished products	5,841,864.72	9,746,968.72		5,822,434.23	65,647.32	9,700,751.89
Consigned processing materials	1,857,627.68			1,851,449.07	6,178.61	
Total	16,235,820.87	12,615,142.24		16,005,476.53	101,297.40	12,744,189.18

Note 7. Other current assets

Item	Ending balance	Beginning balance
Input tax to be deducted	500,774,013.15	402,301,154.82
Prepaid income tax	54,160,553.07	93,181,904.90
Goods service tax refund	10,671,633.52	11,232,917.23
Short-term loan	407,048,069.24	126,740,261.80
Receivable security funds	689,754,184.93	372,002,264.27
Receivable subrogation	6,949,996.01	1,933,089.69
Deposit of capital discount	1,075,125.18	
Redemptory financial assets for Sale	3,130,000,000.00	
Principal-guaranteed floating income securities financial products	200,000,000.00	
Total	5,000,433,575.10	1,007,391,592.71

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) 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 1 to 12 months.

(3) Receivable security funds is formed by the subsidiary HuiShang Commercial Factoring Co., Ltd. for the Company's dealers and suppliers to provide accounts receivable factoring business.

(4) Receivable subrogation is a result of Inner Mongolia Huishang Finance Guarantee Co., Ltd.'s guarantee for the company's supplier, the total amount of RMB 10,012,484.34. The company's assessment regarding to the assets of the suppliers leads to an expected loss of RMB 3,062,488.33 after assets impairment prevision, the remaining of RMB 6,949,996.01 are considered collectable.

(5) Deposit of capital discount issued by Yili Finance Co., Ltd. and Inner Mongolia HuiShang Internet micro-loan Co., Ltd. to the company's dealers and suppliers with bank acceptance discount.

(6) Redemptory financial assets for Sale is Yili Finance Co buy reverse bond repurchase and pledged offer repurchase. The amount of reverse bond repurchase is RMB 1,650,000,000 and pledged offer repurchase is RMB 1,480,000,000.

Note 8. Available-for-sale financial assets

1. Available-for-sale financial assets

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Debt instruments available for sale						
Equity instruments available for sale	831,360,989.62	350,000.00	831,010,989.62	652,169,595.43	350,000.00	651,819,595.43
Measured at fair value	328,195,583.11		328,195,583.11	44,178,352.50		44,178,352.50
Measured at cost method	503,165,406.51	350,000.00	502,815,406.51	607,991,242.93	350,000.00	607,641,242.93
Total	831,360,989.62	350,000.00	831,010,989.62	652,169,595.43	350,000.00	651,819,595.43

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	88,799,520.00		88,799,520.00
Fair value	328,195,583.11		328,195,583.11
The amount of changes in fair value accrued to other comprehensive income	239,396,063.11		239,396,063.11
Minus: Amount of impairment that has been accrued			

3. Equity instruments available for sale measured at cost at the end of the period

Invested unit	Holding shares percentage (%) in the invested company	Book balance			Ending balance
		Beginning balance	Increase during the current period	Reduction during the current period	
Chengdu Bank Co., Ltd.		81,250,000.00		81,250,000.00	
Mianyang Science and Technology City Industrial Investment Fund	2.22	75,839,213.54		7,043,745.18	68,795,468.36
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		25,127,006.00	8,872,994.00
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		16,405,085.24	177,827,951.76
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.	2.70	20,000,000.00			20,000,000.00
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	2.09	25,000,000.00	25,000,000.00		50,000,000.00
Inner Mongolia Steppe Cultural Film Industry Fund (limited partnership)	9.00	45,000,000.00			45,000,000.00
Total		607,991,242.93	25,000,000.00	129,825,836.42	503,165,406.51

Continued:

Invested company	Provision for impairment			Current cash dividend
	Beginning balance	Increase during the current period	Reduction during the current period	
Chengdu Bank Co., Ltd.				
Mianyang Science and Technology City Industrial Investment Fund				16,632,226.25
CITIC Industrial Investment Fund Management Co., Ltd.				50,000,000.00
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				40,176,212.48
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

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
Provision balance at the beginning of the period	350,000.00		350,000.00
Increase in current period			
Including: transfer from other comprehensive income			
Decrease in current period			
Including: reversal of fair value after the reporting date			
Provision balance at the end of the period	350,000.00		350,000.00

5.Equity instruments available for sale at the end of the period whose fair value significantly decreased or temporarily decreased but no provision for impairment.

Note 9. Long-term equity investment

Invested company	Beginning balance	Increase/decrease in current period			
		Increased investment	Decreased investment	Investment income recognized under the equity method	Adjustments of other comprehensive income
Joint ventures					
Associate enterprise					
Hulunbeier Shengxin Investment Co., Ltd.	18,660,593.87			10,580.99	
Shandong New Jufeng Technology Packaging Co., Ltd.	129,443,054.56			15,187,420.55	
China Youran Dairy Holding Limited	1,569,255,549.90			130,740,439.12	
Beijing Jiuyang wisdom investment fund management Limited	47,825,898.42			-1,736,423.96	
Subtotal	1,765,185,096.75			144,202,016.70	
Total	1,765,185,096.75			144,202,016.70	

Continued:

Invested company	Increase/decrease in current period				Ending balance	Provision for impairment at end of the year
	Changes in other equities	Declaration of a cash dividends or profits	Provision for impairment	Others		
Joint ventures						
Associate enterprise						
Hulunbeier Shengxin Investment Co., Ltd.					18,671,174.86	
Shandong New Jufeng Technology Packaging Co., Ltd.					144,630,475.11	
China Youran Dairy Holding Limited					1,699,995,989.02	
Beijing Jiuyang wisdom investment fund management Limited					46,089,474.46	
Subtotal					1,909,387,113.45	
Total					1,909,387,113.45	

Note 10. Fixed assets

Item	Ending balance	Beginning balance
Fixed assets	14,687,762,476.26	13,256,390,281.64
Disposal of fixed assets		
Total	14,687,762,476.26	13,256,390,281.64

1. General Information about fixed assets

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Others	Total
Original book value:						
1. Beginning 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
2. Increased during the current period	659,219,812.19	2,441,020,439.92	45,459,453.33	51,680,130.83	207,943,368.62	3,405,323,204.89
(1) Purchase	2,614,963.42	128,484,480.31	26,273,584.83	20,231,782.52	124,486,920.10	302,091,731.18
(2) Construction in progress transferred	656,604,848.77	2,312,535,959.61	19,185,868.50	31,448,348.31	83,456,448.52	3,103,231,473.71
(3) Consolidation increases						
3. Decreased during the current period	147,746,863.76	647,278,753.59	16,797,440.17	12,024,914.84	73,752,959.62	897,600,931.98
(1) Disposal or scrapping	16,477,749.26	416,609,468.08	14,690,934.64	11,508,198.71	52,129,089.96	511,415,440.65
(2) Foreign currency translation difference	4,449,060.19	5,563,949.89	47,357.47	171,118.13	253,568.45	10,485,054.13
(3) Reduced for others	126,820,054.31	225,105,335.62	2,059,148.06	345,598.00	21,370,301.21	375,700,437.20
4. Ending balance	7,357,396,574.49	15,362,121,914.91	309,713,699.15	218,801,010.00	1,244,729,055.65	24,492,762,254.20
Cumulative depreciation						
1. Beginning 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
2. Increased during the current period	254,352,559.36	1,114,437,285.43	28,877,950.89	37,261,720.93	140,141,137.04	1,575,070,653.65
(1) Provision	254,352,559.36	1,114,437,285.43	28,877,950.89	37,261,720.93	140,141,137.04	1,575,070,653.65
3. Decreased during this period	30,710,434.57	373,886,848.25	16,201,485.00	10,223,917.83	58,196,071.77	489,218,757.42
(1) Disposal or scrapping	9,104,011.64	286,404,228.00	14,436,089.18	9,804,231.76	49,217,098.80	368,965,659.38
(2) Foreign currency translation difference	434,901.48	1,660,899.18	26,037.19	125,067.90	95,523.18	2,342,428.93
(3) other	21,171,521.45	85,821,721.07	1,739,358.63	294,618.17	8,883,449.79	117,910,669.11

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Others	Total
4. Ending balance	1,856,781,065.90	6,822,277,001.63	195,272,798.55	120,672,394.27	783,227,622.35	9,778,230,882.70
Provision for impairment						
1. Beginning balance	5,618,380.12	29,972,678.74		291,492.23	388,162.09	36,270,713.18
2. Increased during the current period		6,825,386.42		418,329.94	11,042.71	7,254,759.07
(1) Provision		6,825,386.42		418,329.94	11,042.71	7,254,759.07
3. Decreased during the current period	5,136,757.19	10,846,072.04		709,822.17	63,925.61	16,756,577.01
(1) Disposal or scrapping	971,518.90	10,487,397.36		709,822.17	63,591.71	12,232,330.14
(2) Other	4,165,238.29	358,674.68			333.90	4,524,246.87
4. Ending balance	481,622.93	25,951,993.12			335,279.19	26,768,895.24
Book value						
1. Book value at the end of the period	5,500,133,885.66	8,513,892,920.16	114,440,900.60	98,128,615.73	461,166,154.11	14,687,762,476.26
2. Book value at the beginning 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

The other decreased including:

(1) The implementation of the revised Accounting Standards for Enterprises No. 16 - Government subsidies (Accounting [2017] No. 15), and the assets related government subsidies to offset fixed assets;

(2) In the current period, because of the disposal of the equity of some subsidiary, the subsidiary is no longer included in the scope of consolidated statements, so the fixed assets decreased.

2.Fixed assets leased through finance leases

Item	Original Book Value	Cumulative depreciation	Provision for impairment	Book value
Machinery equipment	218,845,868.29	33,241,082.53		185,604,785.76

3.No fixed assets leased through operating leases.

4.Fixed assets without certificate of title at end of the period

Item	Book value	The reason for not completing the certificate of title
Houses and buildings	594,086,831.29	New projects put into use for a short time, currently being processed

Note 11. Construction in progress

Item	Ending balance	Beginning balance
Construction in progress	2,676,239,440.27	1,887,857,336.13
Construction material	10,466,425.19	14,208,300.58
Total	2,686,705,865.46	1,902,065,636.71

1. 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	782,242,008.26		782,242,008.26	1,294,825,918.64		1,294,825,918.64
Milk powder project	106,731,479.68		106,731,479.68	348,840,825.04		348,840,825.04
Ice cream project	162,209,221.30		162,209,221.30	31,851,692.95		31,851,692.95

Project	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Yogurt project	199,286,522.02		199,286,522.02	72,306,573.97		72,306,573.97
Other	1,425,770,209.01		1,425,770,209.01	140,032,325.53		140,032,325.53
Total	2,676,239,440.27		2,676,239,440.27	1,887,857,336.13		1,887,857,336.13

(2) Changes in significant construction projects

Project	Beginning balance	Increase in this period	Amount transferred to fixed assets	Other reductions during this period	Ending balance
Liquid milk project	1,294,825,918.64	1,812,833,313.72	2,325,417,224.10		782,242,008.26
Milk powder project	348,840,825.04	62,118,456.01	304,227,801.37		106,731,479.68
Ice cream project	31,851,692.95	221,217,948.92	90,860,420.57		162,209,221.30
Yogurt project	72,306,573.97	494,162,145.68	367,182,197.63		199,286,522.02
Other	140,032,325.53	1,301,281,713.52	15,543,830.04		1,425,770,209.01
Total	1,887,857,336.13	3,891,613,577.85	3,103,231,473.71		2,676,239,440.27

Continued:

Project	Budget	Project investment account for budget (%)	Project progress (%)	Accumulated amount of capitalized interest	Including: Amount of capitalized interest for current period	Interest capitalization rate for current period)	Source of funds
Liquid milk project	10,483,194,896.39	44.75	44.75				Wholly-owned capital
Milk powder project	779,910,515.56	62.56	62.56				Wholly-owned capital
Ice cream project	444,615,617.19	68.18	68.18				Wholly-owned capital
Yogurt project	1,287,041,432.10	80.95	80.95				Wholly-owned capital
Other	2,360,739,546.74	63.85	63.85				Wholly-owned capital
Total	15,355,502,007.98						

(3) No provision for impairment of construction projects during current period.

(4) Other instructions for construction in process

Other major construction projects are Beijing business operation centre project.

2. Construction material

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
material	5,299,669.16		5,299,669.16	13,977,627.89		13,977,627.89
Equipment	4,938,123.27		4,938,123.27	230,672.69		230,672.69
Tool	228,632.76		228,632.76			
Total	10,466,425.19		10,466,425.19	14,208,300.58		14,208,300.58

Note 12. Intangible assets
1. General Information about intangible assets

Item	Land-use right	Patented technology	Non - patented technology	Software information and development	Trademark rights	Licensing rights	Total
Original book value							
1.Beginning balance	568,015,119.51		10,100,000.00	140,470,840.71	19,392.49	3,181,949.27	721,787,301.98
2.Increased for the year	64,351,049.88	7,981,998.70	7,380,941.27	106,130,782.90			185,844,772.75
(1) Purchase	64,351,049.88	7,981,998.70	7,380,941.27	106,130,782.90			185,844,772.75
(2) Internal R&D							
(3) Increased corporate mergers							
3.Decreased for the year	38,914,010.31		1,500,000.00	135,258.05	156.15	25,620.96	40,575,045.47
(1) Disposal or scrap							
(2) Converted difference in foreign currency statements				95,218.05	156.15	25,620.96	120,995.16
(3) Reduced for others	38,914,010.31		1,500,000.00	40,040.00			40,454,050.31
4.Ending balance	593,452,159.08	7,981,998.70	15,980,941.27	246,466,365.56	19,236.34	3,156,328.31	867,057,029.26
Accumulated amortization							
1.Beginning balance	154,626,553.73		10,100,000.00	42,191,242.87		508,292.89	207,426,089.49
2.Increased for the year	9,936,353.39	287,639.60	250,009.69	12,710,683.36		151,980.61	23,336,666.65
(1) Accrual	9,936,353.39	287,639.60	250,009.69	12,710,683.36		151,980.61	23,336,666.65
3.Decreased for the year	1,391,570.95		1,500,000.00	77,983.50		4,813.40	2,974,367.85
(1) Disposal or scrap							
(2) Converted difference in foreign currency statements				37,943.50		4,813.40	42,756.90
other	1,391,570.95		1,500,000.00	40,040.00			2,931,610.95
4.Ending balance	163,171,336.17	287,639.60	8,850,009.69	54,823,942.73		655,460.10	227,788,388.29
Provisions for impairment							
1.Beginning balance							
2.Increased for the year							
(1) Accrual							
3.Decreased for the year							
(1) Disposal or scrap							
4.Ending balance							
Carrying value							
1.Carrying value at end of period	430,280,822.91	7,694,359.10	7,130,931.58	191,642,422.83	19,236.34	2,500,868.21	639,268,640.97
2.Carrying value at the beginning of the period	413,388,565.78			98,279,597.84	19,392.49	2,673,656.38	514,361,212.49

All land usage rights completed property certificate.

2. Other descriptions of intangible assets

Other decrease includes: (1) The main reasons for the reduction of intangible assets: In the current period, the company written-off the government subsidies intangible assets. And the assets classify related government subsidies.

(2) In the current period, because of the disposal of the equity of some subsidiary, the subsidiary is no longer included in the scope of consolidated statements, so the intangible assets decreased.

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%.

Note 13. Goodwill

1. Original Book Value of Goodwill

The name of the invested organization or the event 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.

3. An asset group or a combination of asset groups about goodwill

Goodwill was formed when the company purchased Oceania Dairy Limited in April 2013.

In April 2013, the wholly-owned subsidiary of the Company, YILI INTERNATIONAL DEVELOPMENT CO., LIMITED and HONGKONG JINGANG TRADE HOLDING CO., LIMITED purchased a total of 100% equity interest in Oceania Dairy Limited from the original shareholders of Oceania Dairy Limited in New Zealand. The transaction was a merger of companies that were not under common 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 was RMB 7,403,915.53 and the difference of RMB 10,678,610.25 was recognized as goodwill.

4. Goodwill impairment test process, parameters and recognition method of goodwill impairment loss

The management forecasted the cash flow of the Oceania Dairy Limited for the next five years. The recoverable amount is determined according to the present value of the expected cash flow over the next five years. The company use future cash flow discounted as main assumptions.

Items	Growth rate (%)	Gross profit rate (%)	Discount rate (%)
Oceania Dairy Limited	10.66-29.65	12.40-13.84	10.85

According to historical experience and market development, the management forecast growth rate and gross profit rates and choose suitable discount rate to test recoverable amount. The above assumptions are used to analyse the recoverable amounts of asset groups and portfolio of asset groups.

After testing, we did not discover during this period that the recoverable amount of the invested organization is lower than its carrying value, so the impairment loss of goodwill was not taken into account.

Note 14. Long-term deferred expenses

Item	Beginning balance	Increase for the year	Current amortization amount	Other reductions	Ending balance
Leased fixed asset improvement expenses	7,429,241.15		3,693,558.56		3,735,682.59
Renovation costs	871,018.02	1,355,549.26	462,427.33		1,764,139.95
Agency transfer fees	57,489,745.68		7,186,218.24		50,303,527.44
Other	3,405,035.50		670,773.33		2,734,262.17
Total	69,195,040.35	1,355,549.26	12,012,977.46		58,537,612.15

Note 15. Deferred income tax assets and deferred income tax liabilities
1. Deferred income tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	165,648,834.86	27,063,125.47	138,497,492.55	22,682,504.65
Unrealized profits of internal transactions	246,928,563.19	55,950,951.01	208,866,155.11	45,764,859.37
Deductible loss	186,052,459.39	44,799,760.45	227,855,925.17	39,320,925.71
Unpaid wages	1,033,628,864.20	155,044,329.63	1,234,442,140.38	185,166,321.05
Government subsidy	1,312,602,194.24	324,599,771.75	1,145,476,608.53	267,011,483.96
Financial leasing assets	7,229,055.73	1,626,294.10		
Total	2,952,089,971.61	609,084,232.41	2,955,138,321.74	559,946,094.74

2. Deferred income tax liabilities not offset

Items	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets appraisal from non-controlled enterprise merger				
Fair value changes of available-for-sale financial assets	180,375,000.00	45,093,750.00		
One-time pre-tax deduction of fixed assets	278,978,333.64	60,824,690.05		
Total	459,353,333.64	105,918,440.05		

3. Details of deductible temporary differences for unrecognized deferred income tax assets

Item	Ending balance	Beginning balance
Deductible temporary differences:		
Deductible loss	388,530,695.32	381,349,979.35
Provision for impairment of assets	17,841,297.01	26,532,074.84
Total	406,371,992.33	407,882,054.19

4. Deductible loss of unrecognized deferred income tax assets will expire in the following years

Item	Ending balance	Beginning balance	Note
2018		30,092,860.02	
2019	30,096,473.99	29,786,657.73	
2020	10,054,235.10	11,231,231.30	
2021	28,814,885.36	53,383,137.61	
2022	20,986,941.74	45,024,530.13	
2023	44,815,396.60		
Total	134,767,932.79	169,518,416.79	

Other instructions:

The reason of increase for deferred income tax liabilities: The increasing of fair value changes of available-for-sale financial assets and one-time pre-tax deduction of fixed assets in the current period.

Note 16. Other non-current assets

Category and content	Ending balance	Beginning balance
Prepaid for equipment and project	954,311,688.22	724,981,891.33
Medium-term and long-term loans	165,539,930.79	
Receivable security funds	598,620,521.05	
Total	1,718,472,140.06	724,981,891.33

Other instructions:

Medium-term and long-term loans is that Inner Mongolia Huishang Internet micro-loan Co., Ltd. provides 2-3years loan for suppliers.

Receivable insurance is that Inner Mongolia Huishang Finance Guarantee Co., Ltd. provides long-term insurance for supplies.

The reason of increased other non-current assets: increasing of prepaid for equipment and project and insurance for supplies.

Note 17. Short-term borrowings

1. Classification of short-term borrowings

Item	Ending balance	Beginning balance
Pledged loan		
Mortgage loan		
Secured loan	23,000,000.00	
Credit loan	1,500,000,000.00	7,860,000,000.00
Total	1,523,000,000.00	7,860,000,000.00

2. No overdue short-term loans at the end of the reporting period

Other instructions:

Secured loan is Yili Finance Co., Ltd provides guarantee and Lanzhou Yili dairy Co., Ltd loans 23 million in the period of 12 months from the Agricultural Bank of China co. LTD Lanzhouhonggu branch.

Reason for decreased: paying back the due bank loan in current period.

Note 18. Notes payable & Account payable

Items	Ending balance	Beginning balance
Notes payable	276,249,155.54	215,276,807.81
Account payable	8,839,462,231.78	7,253,879,470.79
Total	9,115,711,387.32	7,469,156,278.60

1. Notes payable

Classification	Ending balance	Beginning balance
Trade acceptance notes		
Bank acceptance notes	276,249,155.54	215,276,807.81
Total	276,249,155.54	215,276,807.81

The total amount of notes payable that has not been paid at the end of the period is RMB 0.00.

2. Accounts payable

Item	Ending balance	Beginning balance
Payments for raw materials and other materials	4,864,446,102.16	4,183,263,576.94
Marketing and transportation costs	2,623,354,485.12	1,960,838,557.70
Engineering and equipment funds	777,590,422.63	662,166,810.29
Others	574,071,221.87	447,610,525.86
Total	8,839,462,231.78	7,253,879,470.79

(1) Important accounts payable aged over 1 year

Name	Ending balance	Reasons for unpaid or not carried forward
The first	14,202,572.62	Not until the settlement date
The second	11,819,985.00	Not until the settlement date
The third	7,324,271.46	Not until the settlement date
Total	33,346,829.08	

Note 19. Advance from customers

1. Type of advance from customers

Item	Ending balance	Beginning balance
Advance cash for goods	4,400,761,321.98	4,125,571,142.63
Total	4,400,761,321.98	4,125,571,142.63

2. No significant advance from customers aged over 1 year.

Note 20. Payroll payable

1. List of Payroll payable

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Short-term employee benefits	2,593,085,994.47	6,486,647,316.46	6,575,142,808.87	2,504,590,502.06
Post-employment benefits - defined contribution plan	10,531,358.27	737,053,103.92	738,782,227.00	8,802,235.19
Termination benefits		49,606,593.39	49,606,593.39	
Other benefits due within one year				
Total	2,603,617,352.74	7,273,307,013.77	7,363,531,629.26	2,513,392,737.25

2. List of short-term employee benefits

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Wages, bonuses, allowances and subsidies	2,225,047,625.28	5,536,246,061.56	5,581,453,315.78	2,179,840,371.06
Employee welfare		233,303,221.22	233,303,221.22	
Social insurance	11,156,321.14	359,114,630.31	362,228,110.72	8,042,840.73
Including: Medical insurance	5,549,274.17	287,818,242.59	289,661,974.46	3,705,542.30
Work injury insurance	163,246.12	17,975,281.08	17,914,771.22	223,755.98

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Maternity insurance	324,093.13	25,289,670.70	25,315,041.64	298,722.19
Children's insurance		91,756.00	91,756.00	
Disability protection fund	5,119,707.72	27,939,679.94	29,244,567.40	3,814,820.26
Housing fund	3,093,345.74	237,732,470.11	239,466,800.17	1,359,015.68
Trade union fund and staff education fund	353,785,580.49	113,198,666.06	151,664,109.77	315,320,136.78
Short-term paid absence				
Short-term profit sharing plan				
Labour dispatch costs		6,664,538.85	6,664,538.85	
Others	3,121.82	387,728.35	362,712.36	28,137.81
Total	2,593,085,994.47	6,486,647,316.46	6,575,142,808.87	2,504,590,502.06

3. List of defined contribution plan

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Basic endowment insurance	10,167,901.96	714,997,522.99	716,721,524.15	8,443,900.80
Unemployment insurance	363,456.31	22,055,580.93	22,060,702.85	358,334.39
Enterprise annuity payment				
Total	10,531,358.27	737,053,103.92	738,782,227.00	8,802,235.19

Note 21. Taxes payable

Tax	Ending balance	Beginning balance
Value Added Tax	53,831,286.21	101,179,481.23
Consumption tax		
Business tax		
Corporate income tax	201,471,676.98	227,320,081.26
Personal income tax	26,530,068.96	11,510,115.81
Urban maintenance and construction tax	2,508,036.73	6,141,024.10
Stamp duty	7,558,576.63	6,043,652.12
Land use tax	4,098,959.05	5,221,695.60
Property tax	5,918,389.32	5,876,873.18
Education surcharge	2,216,319.12	4,956,737.37
Water conservancy construction fund	39,680,930.23	34,280,926.85
Others	9,565,350.43	1,560,165.96
Total	353,379,593.66	404,090,753.48

Note 22. Other payable

Item	Ending balance	Beginning balance
Interest payable	1,365,195.81	9,326,783.74
Dividend payable	102,503,988.86	73,131,211.86
Other payable	1,117,131,224.31	1,269,009,324.38
Total	1,221,000,408.98	1,351,467,319.98

1. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term loans due in instalments		
Interest on corporate bonds		
Interest payable on short-term borrowings	879,877.74	9,326,783.74
Preferred shares \ interest on perpetual bond classified as financial liabilities		
Interest of long term account payable	485,318.07	
Total	1,365,195.81	9,326,783.74

Other instructions:

Reason for decreased interest payable: The decrease in short-term bank borrowings in this period led to a decrease in accrued interest payable.

2. Dividends Payable

Item	Ending balance	Beginning balance
Common stock dividends	90,790,641.58	68,788,979.38
Dividends on preferred shares and perpetual bond which classified as equity instruments		
Subsidiaries dividends payable to minority shareholders	11,713,347.28	4,342,232.48
Total	102,503,988.86	73,131,211.86

Other instructions:

Including important unpaid dividends payable for more than one year, the reasons for the unpaid dividends payable should be disclosed: the shareholders with restricted sale conditions have not gone through the withdrawal procedure.

3. Other Payables

(1) Other payables displayed on the basis of their nature

Nature	Ending balance	Beginning balance
Deposit and guarantee	932,470,729.28	990,994,010.07
Costs advanced by staff	7,361,058.72	6,844,063.81
Withholding costs	3,930,482.33	4,067,577.08
Restricted stock repurchase obligations	96,842,075.00	201,690,525.00
Others	76,526,878.98	65,413,148.42
Total	1,117,131,224.31	1,269,009,324.38

(2) Other important payables with aging over 1 year

Name	Ending balance	Reasons for unpaid or not carried forward
Deposit and guarantee	105,601,792.72	Still in cooperation with suppliers or customers
Total	105,601,792.72	

Note 23. 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 payable due within one year	33,128,853.96	24,191,543.48
Total	33,128,853.96	24,191,543.48

Other instructions:

Reason for increased non-current liabilities due within one year: The increase in long-term account payable due within one year.

Note 24. Other current liabilities

Item	Ending balance	Beginning balance
Short-term bonds payable		
Unsettled liability reserve unmaturred statutory reserve	3,766,784.74	5,147,543.57
Guarantee of compensation reserve	6,638,881.27	6,783,414.70
Total	10,405,666.01	11,930,958.27

Other instructions:

The unmaturred statutory 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.

Note 25. Long-term borrowings

1. Classification of Long-term borrowing

Type of loan	Ending balance	Beginning balance
Pledge loan		
Mortgage loan		
Guaranteed loan		
Credit Loan	289,000.00	289,000.00
Total	289,000.00	289,000.00

Note 26. Long-term payables

Item	Ending balance	Beginning balance
Long-term account payable	133,664,814.17	64,037,282.56
Account payable special funds		
Total	133,664,814.17	64,037,282.56

1. Classifications of long-term payable

Nature of Payment	Ending balance	Beginning balance
Entrusted fund for poverty alleviation project of dairy industry	50,000,000.00	
Payments payable of financing lease	116,793,668.13	88,228,826.04
Minus: Long-term payable due within one year	33,128,853.96	24,191,543.48
Total	133,664,814.17	64,037,282.56

Other Instructions:

Reason for increased long-term account payable: Inner Mongolia Huishang Finance Guarantee Co., Ltd. launched entrusted fund for poverty alleviation project of dairy industry.

Note 27. Deferred income

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance	The cause of the formation
Assets-related government subsidies	78,668,630.00	80,191,803.04	56,459,630.00	102,400,803.04	Assets are not ready for preconcerted usable condition
Revenue-related government subsidies	67,517,551.18	14,268,300.00	25,856,337.61	55,929,513.57	Government grant with a follow-up obligation for research projects
Total	146,186,181.18	94,460,103.04	82,315,967.61	158,330,316.61	

1. Deferred income related to government subsidies

Liability item	Beginning balance	The 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	40,000,000.00	35,000,000.00		-20,000,000.00	55,000,000.00	Assets related
Sewage purification upgrade project	1,854,000.00			-1,854,000.00		Assets related
Special funds for technical transformation and upgrade		270,000.00			270,000.00	Assets related
Gas boiler renovation project		500,000.00			500,000.00	Assets related
Special fund for industrial restructuring and upgrading	7,900,000.00			-7,347,000.00	553,000.00	Assets related
Dairy production automation technology transformation	3,480,000.00	13,421,803.04		-4,524,000.00	12,377,803.04	Assets related
Dairy production infrastructure construction fund		10,000,000.00			10,000,000.00	Assets related
Boiler desulfurization and dust removal technology reformation	3,200,000.00			-3,200,000.00		Assets related
Special fund for dairy product quality inspection process management platform	22,234,630.00			-19,534,630.00	2,700,000.00	Assets related
Construction fund of milk powder quality safety traceability system		21,000,000.00			21,000,000.00	Assets related
Dairy technology special research funds	63,973,145.03	1,345,000.00	10,075,802.72	-4,453,734.85	50,788,607.46	Income related
Special fund for modern agricultural technology system construction special fund	987,933.83	6,923,300.00	1,058,427.72	-3,500,000.00	3,352,806.11	Income related
Special fund for the development of the Internet of Things	2,298,048.50		2,009,948.50		288,100.00	Income related
Construction and application of fingerprint map for food contact materials	108,423.82		108,423.82			Income related
Overseas IP environment analysis and layout	150,000.00		150,000.00			Income related
Loan interest subsidies		6,000,000.00		-4,500,000.00	1,500,000.00	Income related
Total	146,186,181.18	94,460,103.04	13,402,602.76	-68,913,364.85	158,330,316.61	

Other instructions:

The other changes included deferred income writes down assets amount because assets attain serviceable condition.

Note 28. Capital stock

Item	Beginning balance	Changes				Ending balance
		New issue	Bonus issue	Transfer into capital stock converted from reserve	Others	
Total number of shares	6,078,492,608.00				-365,000.00	6,078,127,608.00

Other instructions:

On May 31, 2018, the company held its 2017 annual general meeting with shareholders to review and approve the “company's

proposal on the Write off some stock options and buy back some restricted stock” . On November 14, 2018, the company released the “announcement on the completion of the cancellation of partial restricted stock repurchased by Inner Mongolia Yili Industrial Group Co., LTD.” . Restricted shares number of buying back is 365,000, decreased the company's share from 6,078,492,608 to 6,078,127,608.

Note 29. Capital reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Capital premium (stock premium)	2,539,226,873.96		5,230,450.00	2,533,996,423.96
Other capital reserve	226,307,685.02	81,032,850.09		307,340,535.11
Total	2,765,534,558.98	81,032,850.09	5,230,450.00	2,841,336,959.07

Other instructions:

Increase for the year is caused by recognition of stock ownership incentive expense;

Decrease for the year is caused by the company repurchasing and cancelling some restricted stocks.

Note 30. Treasury shares

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Restricted treasury stock	201,690,525.00		104,227,700.00	97,462,825.00
Total	201,690,525.00		104,227,700.00	97,462,825.00

Other explanations, including changes in current period and reasons for changes:

The decrease for the year is unlocking first period restricted stocks and repurchase and write off restricted stocks.

Note 31. Other comprehensive income

Item	Beginning balance	Current period					Ending balance
		Amount incurred before income tax of current period	subtract: Amount recognized into other comprehensive income in previous period and transferred to the current profit and loss	Subtract: income tax expense	Amount attributable to parent company after tax	Amount attributable to minority shareholders after tax	
I. Other comprehensive income can not be reclassified to profit or loss							
Includes: Changes from defined benefit plan due to re-measurement							
Other comprehensive income cannot be reflected profit or loss under the equity method							
II. Other comprehensive income to be reclassified into profit or loss	-71,393,317.81	491,723,254.63		45,093,750.	446,629,504.63		375,236,186.82
Other comprehensive income can be reclassified to reflect in profit or loss under the equity method							
Profit or loss from changes in fair value of available-for-sale financial assets	36,990,732.50	202,405,330.46		45,093,750.00	157,311,580.46		194,302,312.96
Profit or loss from reclassification of held-to-maturity investments to available-for-sale financial assets							
Profit or loss from effective part of cash flow hedging		498,843.49			498,843.49		498,843.49
Difference arising from translation of foreign currency statements	108,384,050.31	288,819,080.68			288,819,080.68		180,435,030.37
Other comprehensive income in total	-71,393,317.81	491,723,254.63		45,093,750.00	446,629,504.63		375,236,186.82

Other comments:

Including the adjustment of the effective part of the cash flow hedging profit and loss into the initial confirmed amount of the hedged item.

The reason of increasing other comprehensive income: The RMB against US dollar exchange rate fell and the increase of foreign exchange translation.

Note 32. Surplus reserve

Item	Beginning balance	Increase for the year	Decrease for the year	Ending balance
Statutory surplus reserve	2,263,876,492.72	623,074,524.41		2,886,951,017.13
Discretionary surplus reserve	158,777,451.76			158,777,451.76
Reserve fund				
Business development fund				
others				
Total	2,422,653,944.48	623,074,524.41		3,045,728,468.89

Note 33. Undistributed profit

Item	Current period	Last period
Undistributed profit from the end of the last period before adjustment	14,109,791,931.29	12,292,754,714.15
Adjustment of total undistributed profit at the beginning of the period (Adjustment up +, down)		
Undistributed profit from the beginning of the period after adjustment	14,109,791,931.29	12,292,754,714.15
Add: Net profit attributable to parent company owners for current period	6,439,749,610.82	6,000,884,926.88
Subtract: Statutory surplus reserve	623,074,524.41	536,752,144.94
Discretionary surplus reserve		
General risk preparation		
Common stock dividends payable	4,254,944,825.60	3,647,095,564.80
Common stock dividends from the convertible bonds that have been transferred to share capital		
Other	-1,095,250.00	
Undistributed profits at the end of the period	15,672,617,442.10	14,109,791,931.29

Note 34. Operating revenue and operating cost

Item	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Main business	78,720,560,129.96	48,935,873,688.70	66,800,656,583.43	41,737,366,420.23
Other business	255,828,557.33	170,160,684.03	746,792,946.89	625,036,240.42
Total	78,976,388,687.29	49,106,034,372.73	67,547,449,530.32	42,362,402,660.65

Note 35. Interest income

Item	Current period	Last period
Interest income	576,888,837.20	510,724,782.03
Total	576,888,837.20	510,724,782.03

Note 36. Interest expenses

Item	Current period	Last period
Interest expense		141,666.67
Total		141,666.67

Other instructions:

Reason of decreased interest expense: The Subsidiary Yili Finance Co., Ltd. borrowed inter-bank fund last period but does not borrow in 2018.

Note 37. Taxes and surcharges

Item	Current period	Last period
Consumption tax		
Sales tax		
Urban maintenance and construction tax	173,078,316.59	176,186,235.68
Extra charges of education funds	142,041,652.60	144,726,758.99
Resource tax		
Real estate tax	57,815,431.24	56,517,240.26
Land holding tax	44,421,081.37	49,082,965.28
Vehicle usage tax	440,818.24	425,601.59
Stamp duty	80,206,792.87	67,420,396.86
Water conservancy construction fund	18,608,940.13	12,015,204.97
Others	14,339,350.78	5,195,786.34
Total	530,952,383.82	511,570,189.97

Note 38. Selling expenses

Item	Current period	Last period
Salary	3,642,663,999.66	2,893,198,172.75
Depreciation and maintenance expenses	99,873,920.83	105,208,793.19
Travel expenses	310,988,739.99	266,297,966.27
Labor insurance and material consumption	19,643,050.69	20,246,316.90
Office rental expense	250,739,506.95	201,227,403.27
Advertising expense	10,955,021,221.65	8,206,472,750.52
Freight expense	4,392,890,837.19	3,766,255,950.04
Others	100,862,473.72	62,955,149.40
Total	19,772,683,750.68	15,521,862,502.34

Note 39. Administrative expenses

Item	Current period	Last period
Salary	1,050,169,138.96	1,365,335,411.96
Depreciation and maintenance expenses	1,207,244,394.77	1,078,581,246.31
Traveling expense	167,553,152.50	140,502,775.11
Labour insurance and material consumption	44,913,357.36	36,684,600.81
Office rental expense	105,773,333.79	93,693,568.59
Consulting and auditing expense	124,760,823.79	94,040,432.44
Amortization of intangible assets	21,576,491.72	16,283,008.64
Other	257,744,794.33	282,762,437.00
Total	2,979,735,487.22	3,107,883,480.86

Note 40. R&D expenses

Item	Current period	Last period
Salary	132,758,869.47	63,509,258.92
Depreciation and maintenance expenses	13,583,997.55	12,308,438.98
Research and test design fee	248,250,413.71	105,849,709.54
other	32,279,836.59	27,497,856.18
Total	426,873,117.32	209,165,263.62

Other instructions:

Reason of increased R&D Expense: The company continuously increases investment in innovation, research, test and design fees.

Note 41. Financial expenses

Item	Current period	Last period
Interest expense	131,602,571.41	209,922,255.60
Minus: Interest income	199,095,685.13	101,549,779.00
Exchange losses	2,100,109.77	-1,521,990.92
Charges	5,121,835.96	6,634,857.95
Total	-60,271,167.99	113,485,343.63

Other Instructions:

Reason for decreased financial expense: The decrease in current borrowings resulted in a decrease in interest expenses and an increase in interest income from bank deposits.

Note 42. Assets impairment loss

Item	Current period	Last period
Loss on bad debts	41,502,699.90	21,723,688.83
Inventory impairment loss	11,306,136.05	16,304,234.42
Available for sale financial asset impairment loss		
Hold-to-maturity investment impairment loss		
Long-term investment equity impairment loss		

Item	Current period	Last period
Real estate investment impairment loss		
Fixed asset impairment loss	7,254,759.07	6,859,120.04
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	15,592,177.99	5,736,328.73
Total	75,655,773.01	50,623,372.02

Other Instructions:

Reason for increased assets impairment loss: The increase of accounts receivables led to the increase of loss on bad debts.

Note 43. Other income

1. Other income details

Item	Current period	Last period
Government subsidies	746,562,694.87	788,013,845.50
Total	746,562,694.87	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	652,600,671.09	712,982,856.77	Income related
Dairy technology special research funds	10,075,802.72	15,839,489.58	Income related
Modern agricultural technology system construction special fund	1,058,427.72	561,084.68	Income related
Dairy product quality inspection process management platform special funds	961,630.33	1,657,147.54	Income related
Fingerprinting and application of food contact materials	108,423.82	91,576.18	Income related
Tax return	1,123,140.80	2,058,059.70	Income related
Internship, employment, stability, training subsidies	21,423,424.60	10,785,438.05	Income related
Industrial and information development support funds	22,550,354.36	15,039,150.00	Income related
Technical renovation, science and technology project funds	15,331,050.00	7,634,000.00	Income related
Energy conservation, environmental protection project funds	2,342,695.00	5,523,432.40	Income related
Special funds for economic and trade development	1,700,000.00	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
Special funds for industrial transformation and upgrading	10,827,886.24		Income related
Dairy products infrastructure construction fund	50,000.00		Income related
Small and micro enterprises financing premium subsidies	500,000.00		Income related

Item	Current period	Last period	Assets related / Income related
Award for outstanding tourism area	270,000.00		Income related
Funds for safe production and food safety	1,990,000.00		Income related
Subsidy for obsolete motor vehicles	68,000.00		Income related
Trademark patent subsidy	600,000.00		Income related
Sewage treatment upgrade project	9,342.73		Income related
Dairy product automation technology transformation project	498,196.96		Income related
Special fund for the development of the Internet of Things	2,009,948.50		Income related
Overseas IP environment analysis and layout	150,000.00		Income related
Material reserve subsidy	100,000.00		Income related
Other	213,700.00	693,610.6	Income related
Total	746,562,694.87	788,013,845.50	

Note 44. Government subsidies

1. Basic information

Item name	Amount	Subject	The amount of current profit or loss
The local government subsidies support funds to support the conditions when investing in a factory	735,586,698.90	other income, deferred income, intangible assets, fixed assets	652,600,671.09
Internship, employment, stability, training subsidies	21,423,424.60	other income	21,423,424.60
Special funds for economic and trade development	1,700,000.00	other income	1,700,000.00
Trademark patent subsidy	600,000.00	other income	600,000.00
Subsidy for obsolete motor vehicles	68,000.00	other income	68,000.00
Dairy product automation technology transformation project	19,920,000.00	deferred income, fixed assets	498,196.96
Special research fund for dairy technology	1,345,000.00	deferred income	
Funds for safe production and food safety	1,990,000.00	other income	1,990,000.00
Funds for energy conservation and environmental protection projects	3,442,695.00	other income, fixed assets	2,342,695.00
Special funds for industrial transformation and upgrading	21,397,186.24	other income, fixed assets	10,827,886.24
Award for driving local economic development	812,187.20	non-operating income	812,187.20
Loan interest subsidy	17,220,000.00	deferred income, financial expense	15,720,000.00
Award for outstanding tourism area	270,000.00	other income	270,000.00
Quality improvement and technical renovation projects	6,873,800.00	fixed asset	
Small and micro enterprises financing premium subsidies	500,000.00	other income	500,000.00
Funds for supporting the development of industry and information technology	124,962,254.36	other income, fixed asset	22,550,354.36
Special fund for the whole-process control platform of dairy product quality testing	402,100.00	fixed asset	
Special funds for the prevention and control of air pollution	490,000.00	fixed asset	
Construction fund of milk powder quality safety traceability system	21,000,000.00	deferred income	
Special funds for water pollution control and renovation	400,000.00	fixed asset	
Dairy products infrastructure construction fund	10,050,000.00	deferred income	50,000.00
Construction funds for urban infrastructure construction of industrial projects	420,675.00	fixed asset	
Demonstration project of new model of intelligent manufacturing	10,000,000.00	fixed asset	
Sewage treatment upgrade project	64,300.00	other income, fixed asset	9,342.73

Item name	Amount	Subject	The amount of current profit or loss
Special funds for technical transformation and upgrading	29,101,650.00	other income, fixed asset, deferred income	15,331,050.00
Modern agricultural technology system construction special fund	6,923,300.00	deferred income	1,058,427.72
Gas boiler renovation project	500,000.00	deferred income	
Material reserve subsidy	100,000.00	other income	100,000.00
Tax return	1,123,140.80	other income	1,123,140.80
Special fund for fire control renovation project	1,000,000.00	fixed asset,	
Other	320,130.00	other income, non-operating income	320,130.00
Total	1,040,006,542.10		749,895,506.70

Note 45. Investment profit

1. Investment profit details

Item	Current period	Last period
Gains on long-term equity investment using the equity accounting method	144,202,016.70	86,557,819.01
Gains on disposing long-term equity investment	654,782.54	
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	147,945.20	
Gains on holding held-to-maturity investments		
Disposal of holding held-to-maturity investments		
Gains on holding available-for-sale financial assets	115,908,438.73	48,121,439.01
Gains on disposing available-for-sale financial assets		
The remaining equity is re-measured at fair value after the loss of control rights		
Total	260,913,183.17	134,679,258.02

Other instructions:

The increase in Investment profit was mainly due to joint venture increased net profit led to the increasing recognition of investment profit in the current period.

Note 46. Income from changes in fair value

Item	Current period	Last period
The change of financial asset at fair value through profit or loss for the period	230,980.46	
including: the changes at fair value of derivative financial assets	230,980.46	
The change of financial liability at fair value through profit or loss		
The changes in fair value arising from investment properties		
Total	230,980.46	

Other instructions:

The company's subsidiaries utilized arbitrage tool (forward foreign exchange contract) to avoid the risk of exchange rate fluctuations. The type is cash flow hedging.

The reason of fair value increasing: the invalidated portion of arbitrage tool (forward foreign exchange contract) increased.

Note 47. Gain from assets disposal

Item	Current period	Last period
Gain from fixed assets disposal	-38,491,702.03	12,088,711.91
Gain from Intangible asset disposal		89,526.50
Total	-38,491,702.03	12,178,238.41

Other instructions:

The decrease of gain from assets disposal: Disposal loss of machinery and equipment increased in the current period.

Note 48. 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	8,384,671.80	528,617.43	8,384,671.80
Income from debt restructuring			
Revenue from non-monetary asset exchange			
Donation acceptance			
Government subsidies	918,617.20	4,529,135.00	918,617.20
Penalty for default	6,014,608.72	11,461,514.18	6,014,608.72
Approved unable paid account payables	17,376,194.11	12,286,974.48	17,376,194.11
Others	2,124,840.83	56,791,543.29	2,124,840.83
Total	34,818,932.66	85,597,784.38	34,818,932.66

1. Record to profit and loss of government subsidies

Item	Amount incurred in this period	Amount incurred in last period	Assets related /Income related
Government cash awards that contribute to local economic development	812,187.20	2,738,750.00	Income related
Promote enterprise transformation and upgrade award		1,432,665	Income related
Trademark patent awards		357,720	Income related
Other financial subsidies	106,430.00		Income related
Total	918,617.20	4,529,135.00	

Note 49. 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	55,595,751.91	21,759,078.15	55,595,751.91
Debt restructuring losses			
Non-monetary assets exchange losses			
Donations	84,170,560.57	103,986,719.77	84,170,560.57
Liquidated damages	7,676,995.38	1,766,613.39	7,676,995.38
Others	572,210.79	23,201.78	572,210.79
Total	148,015,518.65	127,535,613.09	148,015,518.65

Note 50. Income tax expenses

1. Income tax expenses

Item	Current period	Last period
Current income tax expense	1,113,821,915.73	1,112,745,816.23
Deferred income tax expense	11,814,354.18	-41,587,445.53
Total	1,125,636,269.91	1,071,158,370.70

2. Adjustment process of accounting profits and income tax expenses

Item	Current period
The total profit	7,577,632,378.18
Income tax expense at legal/applicable tax rate	1,136,644,856.73
The influences of subsidiaries applied different tax rates	290,774,646.28
Adjust the impact of income tax of previous periods	-4,456,023.87
The impact by non-taxable income	-67,932,753.92
Non-deductible costs, expenses and losses' impact	4,644,634.78
The impact by deductible temporary differences of unrecognized deferred income tax assets of previous period	
The impact of deductible temporary differences or deductible losses of deferred income tax assets that have not been recognized in the current period	27,018,964.94
Amount the impact by tax reduction and tax exemption	-261,058,055.03
Income tax expense	1,125,636,269.91

Note 51. Cash flow statement

1. Cash received relating to other operating activities

Item	Current period	Last period
guarantee deposit, cash deposit	205,670,133.71	270,645,829.25
Interest income	199,207,149.58	81,342,016.06
Government subsidies	1,038,883,401.30	926,634,582.52
Collect factoring charges from dealers	149,193,128.38	135,550,934.93
Others	39,734,180.90	23,068,351.63
Total	1,632,687,993.87	1,437,241,714.39

2. Cash payment relating to other operating activities

Item	Current period	Last period
guarantee deposit, cash deposit	212,252,964.95	322,250,103.78
Travel expenses	533,715,749.00	420,344,395.01
Greening and cleaning, fire safety fee	55,571,698.76	44,504,356.78
Consulting and auditing fee	132,685,775.33	133,031,716.71
Bank fees	5,311,240.75	7,074,497.24
Donations	66,825,967.57	65,830,836.82
Penalties for default	5,333,244.17	1,525,117.56
Payment to dealers for factoring	119,276,368.00	200,118,150.00
Others	323,018,152.42	201,431,196.02
Total	1,453,991,160.95	1,396,110,369.92

3. Cash received relating to other investing activities

Item	Current period	Last period
Withdrawal of fixed deposits not available before maturity	516,218.89	139,085,711.45
Total	516,218.89	139,085,711.45

4. Cash payments relating to other investing activities

Item	Current period	Last period
Disposal of subsidiaries	700,593.29	
Pledged offer repurchase	270,000,000.00	
Total	270,700,593.29	

5. Cash received relating to other financing activities

Item	Current period	Last period
Share repurchase	5,120,950.00	7,475,475.00
Financing lease fee	32,261,111.11	21,975,000.00
Total	37,382,061.11	29,450,475.00

Note 52. Supplementary information for cash flow statement

1. Supplementary information for cash flow statement

Item	Current period	Last period
I. Reconciliation net profit to cash flows from operating activities		
Net profits	6,451,996,108.27	6,002,814,975.11
Add: Provision for asset impairment	75,655,773.01	50,623,372.02
Depreciation of fixed assets, biological assets	1,575,070,653.65	1,408,387,925.96
Amortization of intangible assets	21,576,491.72	16,283,008.64
Amortization of Long-term deferred expenses	12,012,977.46	19,256,704.00
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets (Income filled as “-”)	38,491,702.03	26,480,331.37
Losses on fixed asset scrapping (Income filled as “-”)	47,211,080.11	21,230,460.72
Losses from changes in fair value (Income filled as “-”)	-230,980.46	
Financial expenses (Income filled as “-”)	133,702,681.18	208,400,264.68
Losses on investments (Income filled as “-”)	-260,913,183.17	-134,679,258.02
Decrease in deferred income tax assets (Increase as “-”)	-49,010,335.87	-41,587,445.53
Increase in deferred income tax liabilities (decrease as “-”)	60,824,690.05	
Decrease in inventories (increase as “-”)	-863,588,466.37	-330,023,956.94
Decrease in operating receivables (increase as “-”)	-933,021,072.51	-1,680,515,435.76
Increase in operating payables (decrease as “-”)	2,314,993,680.70	1,439,626,232.73
Others		
Net cash flows from operating activities	8,624,771,799.80	7,006,297,178.98
II. Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		

Item	Current period	Last period
Reclassification of convertible bonds expiring within one year		
Fixed assets acquired under finance leases		
III. Net changes in cash and cash equivalents		
Ending balance of cash	10,704,930,612.93	20,755,979,912.01
Subtract: Beginning balance of cash	20,755,979,912.01	13,211,405,187.36
Add: Ending balance of cash equivalents	2,860,000,000.00	
Subtract: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-7,191,049,299.08	7,544,574,724.65

2. The net amount of cash received for disposal of a subsidiary during the current period

Item	Current period
Cash or cash equivalents received by disposal of subsidiaries during the current period	27,217,758.26
Minus: Cash and cash equivalents held by subsidiaries in the day of losing control	27,918,351.55
Plus: Cash or cash equivalents received by disposal of subsidiaries during the previous period	
Net cash received by disposal of subsidiaries	-700,593.29

3. Composition of cash and cash equivalent

Item	Ending balance	Beginning balance
I. Cash	10,704,930,612.93	20,755,979,912.01
Including: Cash on hand	618.83	869.24
Bank deposit for payment at anytime	7,191,915,900.08	7,291,587,974.82
Other monetary funds for payment at anytime	263,700,276.85	145,233,152.94
Deposit in Central Bank for payment	3,850,000.00	
Inter-bank deposits	3,245,463,817.17	13,319,157,915.01
Inter-bank offers		
II. equivalents	2,860,000,000.00	
Including: Bond investment mature within 3 months		
III. Ending balance of cash and cash equivalents	13,564,930,612.93	20,755,979,912.01
Including: Restricted cash and cash equivalents used by the parent company or the group's subsidiaries		

Other instructions:

Cash equivalents is reverse bond repurchase and pledged offer repurchase within 3 months.

Note 53. Assets with restricted ownership or use rights

Item	Ending balance	Reasons for restriction
Cash in banks and on hand	346,073,041.09	Statutory deposit reserve, time deposits and pledged in Central Bank cannot be withdrawn at any time
Total	346,073,041.09	

Note 54. Monetary items of foreign currencies
1. Monetary items of foreign currencies

Item	Foreign currency -ending balance	Exchange rate	RMB ending balance
Cash in bank and on hand			
Including: USD	957,202,884.53	6.8632	6,569,474,837.11
EUR	1,064,484.84	7.8473	8,353,331.85
HKD	3,848,986.16	0.8762	3,372,481.67
NZD	10,729,161.52	4.5954	49,304,788.84
IDR	3,202,368,902.95	0.0005	1,517,922.86
Accounts receivable			
Including: USD	3,363,515.10	6.8632	23,084,476.84
EUR			
HKD			
NZD	4,045,433.19	4.5954	18,590,383.66
Long-term loan			
Including: USD			
EUR			
HKD			
Interest receivable			
Including: USD	3,291,250.18	6.8632	22,588,508.24
NZD	99,126.23	4.5954	455,524.68
Other receivable			
Including: USD	3,023,581.67	6.8632	20,751,445.74
HKD	235,575.85	0.8762	206,411.56
NZD	7,981.68	4.5954	36,679.01
Accounts payable			
Including: USD	3,619,275.90	6.8632	24,839,814.36
NZD	40,552,301.95	4.5954	186,354,048.37
Other payables			
Including: USD	192,284.86	6.8632	1,319,689.45
HKD	69,638.69	0.8762	61,017.42
NZD	506,036.68	4.5954	2,325,440.94

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 is the NZD, accounting standard currency based on the main economic environment of offshore entities decided that this year has not changed.

Note 55. Arbitrage

Disclose of relevant qualitative and quantitative information of the hedging and related hedging instruments and hedged risks in accordance with the hedging category.

The type is cash flow hedging in the balance sheet date. The company's subsidiaries utilized arbitrage tool (forward foreign exchange contract) to avoid the risk of exchange rate fluctuations. The expected change in cash flow of arbitrage tool would offset the expected change in cash flow of arbitrated items. The risk of arbitrated items is the change in cash flow because of some specific risk about expected trade. Ending fair value of arbitrage tool is 498,843.46.

VII. Changes in consolidation scope

(i) Disposal of subsidiaries

1. Single transaction of disposal of the investment and loss of control over the subsidiaries

Subsidiary name	The equity disposal price	Equity disposal ratio (%)	Equity disposal method	Moment of lost control	Reason	Differentials of disposal of the price and net asset share
Anda Yili dairy Co., Ltd.	27,217,757.26	55.00	Transferring	February, 2018	Execution of transfer agreement; Business change completed	133,816.59
Shouzhou Yili dairy Co., Ltd.	1.00	60.00	Transferring	October, 2018	Execution of transfer agreement; Business change completed	3,464,750.29
Zhalantun Yili dairy Co., Ltd.	4,322,400.00	57.48	Transferring	November 2018	Execution of transfer agreement	1,038,649.48

Continued:

Subsidiary name	Proportion of remaining equity on the date of loss of control (%)	Book value of the remaining equity on the date of loss of control	Fair value of the remaining equity on the date of loss of control	Re-measure the gain or loss arising from the remaining equity at fair value	Re-measure the gain or loss arising from the remaining equity at fair value	Amount of other comprehensive income related to pre-subsidies' equity investment transferred to investment gains and losses
Anda Yili dairy Co., Ltd.						
Shouzhou Yili dairy Co., Ltd.						
Zhalantun Yili dairy Co., Ltd.						

(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
Daqing Yili Dairy Products Co., Ltd.	New establishment

2. The liquidation cancellation subsidiaries of current period are no longer included in the consolidated scope.

Name	Reason
Daqing Yili Dairy Co., Ltd.	Cancellation

VIII. Equities in other entities

(i) Equities in subsidiaries

1. Composition of the enterprises 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 side line 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	Ice-cream production and sales	55.00		Investment establishment
Inner Mongolia Yili Fubeier Dairy Products Co., Ltd.	Hohhot	Hohhot	Milk Powder Production	74.51		Investment establishment

Subsidiary name	Business operation location	Registration location	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
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 Taipuke Drink Co., Ltd.	Xi'an	Xi'an	Milk and dairy production, sales	100.00		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
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 production 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., LIMITED	Hongkong	Hongkong	International trade	100.00		Investment establishment
Tianjin Yili Dairy Co., Ltd.	Tianjin	Tianjin	Dairy products, infant formula milk powder production	100.00		Investment establishment
Shanxi Yili Dairy Co., Ltd.	Shaanxi Lantian	Lantian	Frozen drinks production and sales	100.00		Investment establishment
Bayan drow Yili Dairy Co., Ltd.	Bayan drow	Bayan drow	Dairy products and milk drinks production and sales	100.00		Investment establishment
Zhejiang Yili Dairy Co., Ltd.	Zhejiang Jinhua	Jinhua	Frozen drinks production and sales	100.00		Investment establishment
Tianjin Yili Dairy Products Co., Ltd.	Tianjin	Wuqing Development Zone	Dairy production and sales	98.15	1.85	Investment establishment
Fuxin Yili Dairy Products Co., Ltd.	Liaoning Fuxin	Fuxin	Dairy production and sales	100.00		Investment establishment
Weifang Yili Dairy Co., Ltd.	Weifang	Linqu	Dairy production and sales	100.00		Investment establishment
Ningxia Yili Dairy Co., Ltd.	Ningxia Wuzhong	Wuzhong	Dairy production and sales	100.00		Investment establishment
Heilongjiang Yili Dairy Co., Ltd.	Daqing	Duerbote	Dairy production and sales	100.00		Investment establishment
Changji Sheng Xin Industrial Co., Ltd.	Xinjiang Changji	Changji State	Investment development		95.00	Investment establishment
Hulun Buir Xianglong Mining Energy Co., Ltd	Hulunbeier	Hulunbeier	Mineral product sales		100.00	Investment establishment

Subsidiary name	Business operation location	Registration location	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
Xiwuqi Tai Qin Water Co., Ltd.	Inner Mongolia Xiwuqi	Xiwuqi	Water resources development, storage, sales, etc.		90.00	Investment establishment
Zhangbei Yili Dairy Co., Ltd.	Hebei Zhangbei	Zhangbei	Dairy production and sales	100.00		Investment establishment
Guangdong Yili Dairy Co., Ltd.	Huizhou	Huizhou city Huizhou Avenue	Dairy production and sales	100.00		Investment establishment
Xianyang Yili Dairy Co., Ltd.	Xianyang	Sanyuan County, Shaanxi Province	Dairy production and sales	100.00		Investment establishment
HONGKONG JINGANG TRADE HOLDING CO., LIMITED	Hongkong	Hongkong	Business Trade	100.00		Investment establishment
Jiyuan Yili Dairy Co., Ltd.	Henan Jiyuan	Jiyuan, Henan	Dairy production and sales	100.00		Investment establishment
Guangxi Yili Frozen Food Co., Ltd.	Nanning	Nanning	Ice-cream production and sales	100.00		Investment establishment
Inner Mongolia Kindairy Trading Co., Ltd.	Hohhot	Hohhot	Dairy Sales	100.00		Investment establishment
Yunnan Yili Dairy Co., Ltd.	Kunming	Kunming	Dairy production and sales	100.00		Investment establishment
Meizhou Yili Frozen Food Co., Ltd.	Meizhou, Guangdong	Guangdong Mei County Jiangjiang	Ice-cream/Frozen drinks production and sales	100.00		Investment establishment
Changchun Yili Frozen Food Co., Ltd.	Changchun	Changchun Jiutai Economic Development Zone	Frozen drinks production and sales	100.00		Investment establishment
Longyou Yili Dairy Co., Ltd.	Zhejiang Longyou	Zhejiang Longyou Industrial Park	Dairy production and sales	100.00		Investment establishment
Jinzhong Yili Dairy Co., Ltd.	Shanxi Qixian	Shanxi Qixian	Dairy production and sales	100.00		Investment establishment
Inner Mongolia Technology Research Institute Co., Ltd.	Hohhot	Hohhot Jinshan Development Zone	Dairy technology	100.00		Investment establishment
SILVER HARBOR LLC.	United States	United States	Dairy market research		100.00	Investment establishment
Yili Innovation Center Europe B.V.	Netherlands	Netherlands	Dairy Technology		100.00	Investment establishment
Yili Finance Co., Ltd.	Hohhot	Hohhot	Finance	100.00		Investment establishment
Inner Mongolia Huishang Finance Guarantee Co., Ltd.	Hohhot	Hohhot	Guarantee	100.00		Investment establishment
Shanghai Yili Aibei Food Co., Ltd.	Shanghai	Shanghai Minxing Economic and technological Development Zone	Ice-cream production and sales		75.00	Merger and Acquisition
Oceania Dairy Limited	New Zealand	New Zealand	Dairy products production	100.00		Merger and Acquisition
PT. Green Asia Food Indonesia	Indonesia	Indonesia	Commercial trade		100.00	Investment establishment
Huishang Commercial Factoring Co., Ltd.	Hohhot	Shenzhen	Retention Agency	100.00		Investment establishment
Lizhimei (Shanghai) investment Co., Ltd.	Shanghai	Shanghai Free Trade Experimental Zone	Industrial investment, food circulation	100.00		Investment establishment
Shenyang Yili Co., Ltd.	Shenyang	Shenbei Xin Qu, Shenyang	Dairy production and sales	100.00		Investment establishment
Inner Mongolia Yili Management Consulting Co., Ltd.	Hohhot	Hohhot	Consulting Services	100.00		Investment establishment
Inner Mongolia HuiShang Internet micro-loan Co., Ltd.	Hohhot	Hohhot	Grant Small Loans	100.00		Investment establishment
Daqing Yili dairy products Co., Ltd.	Daqing Heilongjiang	Lindian, daqing	Food manufacturing industry	100.00		Investment establishment

2. Important joint ventures or associated corporations

Name of joint venture or associates	Business operation location	Registration location	Business nature	Shareholding percentage (%)		Accounting methods for investment in joint ventures or associated corporations
				Direct	Indirect	
China Youran Dairy Holding Limited	China	Cayman islands	Animal and accessory products sales	40.00		Equity method

3. Major financial information of important joint ventures and associated enterprises

Unit: (ten thousand RMB)

Item	Ending balance / Current period	Beginning balance / Last period
	China Youran Dairy Holding Limited	China Youran Dairy Holding Limited
Current Asset	225,015.92	176,746.51
Non-current assets	491,233.95	434,415.38
Total assets	716,249.87	611,161.89
Current Liabilities	265,099.10	193,089.01
Non-current Liabilities	26,151.78	25,759.00
Total liabilities	291,250.88	218,848.01
Minority stockholder's interest		
Attributable to parent company shareholders' equity	424,998.99	392,313.88
Share of net assets calculated by ratio	169,999.60	156,925.55
Adjusting items		
—Goodwill		
—Unrealized profit of internal transactions		
—Others		
Book value of equity investment in joint venture	169,999.60	156,925.55
Fair value of equity investment in joint venture with public offering		
Operating revenue	658,474.76	525,631.33
Net profit	32,685.11	17,356.12
Net profit of termination operation		
Other comprehensive income		
Total comprehensive income	32,685.11	17,356.12
Dividend received from joint venture for the period		

4. Financial information of unimportant joint ventures or associated corporations

Unit: (ten thousand RMB)

Item	Ending balance /Current Period	Beginning balance /Last Period
Joint venture:		
Total investment carrying value		
The following items are calculated on a shareholding basis		
--Net income		
--Other comprehensive income		
--Total comprehensive income		
Associates :		
Total investment book value	20,939.11	19,592.95
The following items are calculated on a shareholding basis		
--Net income	1,346.16	1,713.34
--Other comprehensive income		
--Total comprehensive income	1,346.16	1,713.34

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 refers to the risk of financial loss caused by the counterparty's failure to fulfill its contractual obligations. Credit risk mainly arises 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 monitored the credit risks exposure continuously.

The company's monetary funds mainly deposit in the central bank, commercial bank 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 risk.

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 or canceling credit period to ensure the company's overall credit risk is within the controllable range.

On December 31, 2018, the company's top five customers' accounts receivable accounted for 56.91% of the company's total accounts receivable. (End of 2017: 43.53%).

The maximum credit risk exposure for the company is the financial asset carrying value in balance sheet. Except the financial guarantee made by the company in Note 15(2), there is no extra guarantee that would protect the Company from credit risk.

(ii) Liquidity risk

Liquidity risk means the company is unable to obtain sufficient funds timely 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 loan agreements which promise that the financial institution will provide enough reserve fund to meet short-term and long-term capital requirements.

By December 31, 2018, the company's financial assets and liabilities in no-discounted cash flow agreement are presented by due date as follow:

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	11,051,003,654.02	11,051,003,654.02	11,051,003,654.02			
Financial assets at fair value through profit or loss for the period	498,843.46	498,843.46	498,843.46			
Notes receivable& Accounts receivable	1,282,126,608.06	1,378,050,402.53	1,378,050,402.53			
Other receivables	154,559,158.76	179,007,759.88	179,007,759.88			
Other current assets	4,434,827,375.36	4,453,635,287.13	4,453,635,287.13			
Available-for-sale financial assets	831,010,989.62	831,360,989.62	261,625,000.00			569,735,989.62
Other non-current assets	764,160,451.84	773,585,489.70		722,314,408.25	51,271,081.45	
Subtotal	18,518,187,081.12	18,667,142,426.34	17,062,195,947.02	722,314,408.25	51,271,081.45	831,360,989.62
Short-term borrowings	1,523,000,000.00	1,523,000,000.00	1,523,000,000.00			
Notes payable& Accounts payable	9,115,711,387.32	9,115,711,387.32	9,115,711,387.32			
Other payables	1,118,496,420.12	1,118,496,420.12	1,118,496,420.12			
Non-current liabilities due within one year	33,128,853.96	33,128,853.96	33,128,853.96			
Long-term borrowings	289,000.00	289,000.00				289,000.00
Long-term payables	133,664,814.17	133,664,814.17		27,723,497.34	105,941,316.83	
Subtotal	11,924,290,475.57	11,924,290,475.57	11,790,336,661.40	27,723,497.34	105,941,316.83	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	21,823,066,175.50	21,823,066,175.50	21,823,066,175.50			
Notes receivable& Accounts receivable	949,737,204.59	1,022,378,859.91	1,022,378,859.91			
Other receivables	233,108,843.82	260,956,286.43	260,956,286.43			
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& Accounts payable	7,469,156,278.60	7,469,156,278.60	7,469,156,278.60			
Other payables	1,278,336,108.12	1,278,336,108.12	1,278,336,108.12			
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

(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, there are still existing foreign exchange risks, such as 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). The finance department of the company is responsible for monitoring foreign currency transaction scope 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, 2018, the amounts of foreign currency financial assets liabilities are 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	6,569,474,837.11	8,353,331.85	3,372,481.67	49,304,788.84	1,517,922.86	6,632,023,362.33
Financial assets at fair value through profit or loss for the period				498,843.46		498,843.46
Note receivable &Accounts receivable	23,084,476.84			18,590,383.66		41,674,860.50
Other receivables	43,339,953.98		206,411.56	492,203.69		44,038,569.23
Available-for-sale financial assets			66,570,583.11			66,570,583.11
Subtotal	6,635,899,267.93	8,353,331.85	70,149,476.34	68,886,219.65	1,517,922.86	6,784,806,218.63
Foreign currency financial liabilities:						
Note payable &Accounts payable	24,839,814.36			186,354,048.37		211,193,862.73
Other payables	1,319,689.45		61,017.42	2,325,440.94		3,706,147.81
Subtotal	26,159,503.81		61,017.42	188,679,489.31		214,900,010.54

Continued:

Item	Beginning 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
Note receivable &Accounts receivable				30,049,387.28		30,049,387.28
Other receivable	22,672,339.13			12,792.37		22,685,131.50

Item	Beginning balance					Total
	USD Item	EUR Item	HKD Item	NZD Item	IDR Item	
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& Notes 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			155,401,935.83		197,243,870.57

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 adjustments timely based on 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) On December 31, 2018, the percentage of the company with interest rate loans accounted for 3.20 % of total assets.

(3) Sensitivity analysis

As of December 31, 2018, 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 7,615,000.00 RMB, resulting in the annual total profit reduction or increase of 7,615,000.00 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, 2018. 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; 4) 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 measures at the end of the period.

(ii) Continuous fair value measurement

Item	Fair value measurement at the end of the period			Total
	The first level of fair value measurement	The second level of fair value measurement	Third level fair value measurement	
I. Continuous fair value measurement				
Financial assets at fair value through profit or loss for the period		498,843.46		498,843.46
1. Available for sale financial assets -equity instrument		498,843.46		498,843.46

Item	Fair value measurement at the end of the period			Total
	The first level of fair value measurement	The second level of fair value measurement	Third level fair value measurement	
(1) Investment in debt instruments				
(2) Equity Tools Investment				
(3) Derivative financial assets		498,843.46		498,843.46
2. Financial assets designated to be measured at fair value through profit or loss for the period				
(1) Debt instrument Investment				
(2) Equity instrument Investment				
Financial assets available-for-sale	261,625,000.00	66,570,583.11		328,195,583.11
(1) Debt instrument Investment				
(2) Equity instruments Investment	261,625,000.00	66,570,583.11		328,195,583.11
(3) Other				
Investment property				
1. Lease of land-use right				
2. Rental of buildings				
3. Holding and preparing to transfer the land use rights after appreciation				
Biological assets				
1. Consumptive Biological Assets				
2. Productive Biological assets				
The total amount of assets that continuous fair value measurement	261,625,000.00	67,069,426.57		328,694,426.57
Financial liabilities held for trading				
Including: Issued trading bonds				
Derivative financial liabilities				
Other				
Financial liabilities designated to be measured at fair value through profit or loss				
The total amount of liabilities that continuous fair value measurement				
II. Non continuous fair value measurement				
Assets held 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) The reason of item with continuous and non-continuous level 1

The fair value of available-for-sale financial assets were determined by closing price of balance sheet date in the open market.

(iv) Item with continuous and non-continuous level 2 fair value measurement use valuation techniques, and important parameters on qualitative and quantitative information.

Fair value of forward foreign exchange contract and trading financial assets with continuous and non-continuous level 2 is determined by the fair value of forward foreign exchange contract provided by cooperative bank.

Equity instrument investment: 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.

(v) 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 parties and related transactions

(i) Details of subsidiaries, 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 as follow:

Company name	Relationship with the company
Shandong XinJuFeng Technology packaging Co., Ltd.	Associated enterprises
China Youran Dairy Holding Limited	Associated enterprises

(iii) Other related parties

The name of other related party	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 transactions

1. The transactions between subsidiaries and parent company have been offset in the consolidation financial statements
2. Related transactions related to purchase of commodities and receive services

Unit: (Ten thousand)

Related party	Related transactions content	Current period	Last period
Shandong Xijufeng Technology packaging Co., Ltd.	Purchasing packaging materials	63,617.67	57,578.69
China Youran Dairy Holding Limited	Purchasing raw material	239,566.70	205,412.09
Total		303,184.37	262,990.78

3. Related transactions related to commodities sale and render of services

Unit: (Ten thousand)

Related party	Related transactions content	Current period	Last period
China Youran Dairy Holding Limited	Selling raw materials	788.56	1,466.49
China Youran Dairy Holding Limited	Provision of services	31.41	45.63
China Youran Dairy Holding Limited	Selling fixed assets		1,552.24
Total		819.97	3,064.36

4. Related parties lease

Related party	Type	Current period	Last period
The Yili Public Welfare Foundation in Inner Mongolia	building	778.89	
Total		778.89	

5. Related parties capital call

(1) Capital call to related parties

Unit: (Ten thousand)

Related party	Amount	Initiate date	Maturity date	Memo
China Youran Dairy Holding Limited	30,000.00	September 27, 2018	December 26, 2018	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	60.00	October 24, 2018	December 18, 2018	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	14.30	October 24, 2018	December 18, 2018	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	107.00	October 24, 2018	December 27, 2018	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	12.80	October 24, 2018	December 28, 2018	Accounts receivable factor
Shandong Xinjufeng Technology packaging Co., Ltd.	47.10	November 26, 2018	February 3, 2019	Accounts receivable factor
Total	30,241.20			

6. Remuneration of key management staff

Unit: (Ten thousand)

Item	Current period	Last period
Remuneration of key management staff	4,431.47	3,867.77

7. Other Related transactions

Unit: (Ten thousand)

Related party	Related transactions content	Current period	Last period
China Youran Dairy Holding Limited	Interest income	394.17	106.18
Shandong Xinjufeng Technology packaging Co., Ltd.	Interest income	1.80	0.20
Inner Mongolia Yili Public Welfare Foundation	Donation	5,000.00	9,697.86
Total		5,395.97	9,804.24

8. Related parties account 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	China Youran Dairy Holding Limited	27.73	2.22	9.52	0.76

(2) Accounts payable to related parties

Unit: (Ten thousand)

Item name	Related party	Book balance at end of year	Book Beginning balance
Accounts payable	China Youran Dairy Holding Limited	23,742.31	21,834.75
Deposit received	China Youran Dairy Holding Limited	21.71	49.32

9. Related parties Commitments

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 fund donation, and donate for three consecutive years, total amount 150 million RMB. And it has respectively completed 50 million of the donation commitments in 2017 and 2018.

XII. Share-based payment

(i) Overall situation of share-based 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	1,460,000 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 15.17 RMB/share, 12 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 14.03 RMB/share, 12 months remaining from the second unlocking period

Other Notes:

According to the company's second shareholders general meeting held in 2016 and the eighth session of the Directors Board held on December 28, 2016 and considering 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、 Stock type granted: This incentive plan is intended to grant incentive stock options and restricted stock.
- 2、 Stock source: 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 the coming year.

If the company fails to meet the above performance assessment objectives, 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, theirs 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 stocks 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.

On May 31, 2018, the company held its general meeting of shareholders in 2018 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 ten were resigned, no longer eligible for the incentive object, cancelled 1,095,000 stock options that have been granted but not exercised, and repurchased and cancelled 365,000 shares that have been granted but have not been unlocked.

After the 2017 profit distribution of the company on June 27, 2018, the exercise price of stock options was adjusted to 15.17 RMB per share, and the repurchase price of restricted stocks was adjusted to 14.03 RMB per share.

On December 28, 2018, the stock options and restricted stock granted to the incentive staffs met the exercise/unlock condition of the first exercise/unlock period. Therefore, the company wrote down “other payables” and “inventory shares” based on the book value of the liabilities corresponding to the unlocked shares. On January 7, 2019, the board of directors deliberated and adopted the company's proposal for 2016 stock options and restricted stock first phase exercise/unlock conditional achievement. 246 incentive staffs exercised stock options. The quantity is 19,278,750. Based on relevant policy and regulation, the board of directors completed relevant share registration procedures for incentive staffs. At the same time, 6,425,000 restricted stock unlocked. The listing day of unlocking restricted stock is on January 22, 2019.

(ii) Equity-settled share-based payment

The method of determining the fair value of the equity instrument at 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 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 reserve		175,111,007.55
The total amount of the recognized cost of equity settled share-based payment of current period		81,032,850.09

Other notes:

The company will be on each balance sheet day of the vesting 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 vested, and according to the fair value of the authorized day of stock options, take the services fees 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. 2018 confirmed 81,032,850.09 RMB.

(iii) Cash-settled share-based payment

None

(iv) Modification and termination of share-based 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 (4) 9 related parties' commitments.

(ii) Contingencies at balance sheet date

As of December 31, 2018, 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	4,254,689,325.60
Profit or dividend issued after consideration of approval	

The company (parent company) has generated net profit of 6,230,745,244.14 in the period, and brought from last year of 6,756,042,631.65, the company has recognised statutory reserve of 623,074,524.41 for the period, and distributed dividend of 4,254,944,825.60. According to the Accounting Standards for Business Enterprises and related regulations, 1,095,250.00 cash dividend will no longer be treated as profit distribution. On the balance sheet date, total comprehensive income attributable to shareholder was 8,109,863,775.78.

According to "Law of Corporation" and "Articles of Associates", the Company planned to pay 4,254,689,325.60 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 3,855,174,450.18 after the cash dividend.

XV. Other significant events

(i) Segment information

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 engages in business activities from which it could earn revenues and incur expenses;
- (2) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
- (3) and the part of financial information including financial condition, operating results and cash flow is available.

Information about an operating segment is required to be reported where it meets one or more of the following quantitative thresholds:

- (1) The operating segment's reported revenue is 10% or more of the combined revenue of all operating segments;
- (2) The absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that do not report a loss; and the combined reported loss of all operating segments that report a loss.

If the total external revenue attributable to those segments amounts to less than 75% of the total consolidated or entity external revenue, additional segments should be identified as reportable segments, even if they do not meet the 10% thresholds described above, until at least 75% of the consolidated or entity external revenue is included in reportable segments:

- (1) Identify the operating segments that the management believes that enables users to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates;
- (2) Consolidate the operating segments that have one or more similar economic characteristics and meet the conditions for aggregation.

Inner-segment transfer prices are based on market prices. Assets and related expenses shared between each segment are distributed according to its percentage of total revenue.

2. Financial information of reporting segments

Item	Ending balance /Current Period					
	Liquid milk	Ice-cream	Milk powder and dairy products	Other	Offset between segments	Total
Revenue from Main business	65,678,886,360.81	4,997,062,521.88	8,044,611,247.27			78,720,560,129.96
Revenue from other business	96,813,226.16	49,595,655.44	93,030,855.52	16,388,820.21		255,828,557.33
Interest income				576,888,837.20		576,888,837.20
Cost of Main business	42,552,518,344.81	2,745,225,347.72	3,638,129,996.17			48,935,873,688.70
Cost of other business	45,829,345.94	39,492,352.79	84,838,985.30			170,160,684.03
Total assets	24,505,197,201.48	4,918,018,573.96	5,953,910,168.17	34,594,874,916.73	22,365,796,399.91	47,606,204,460.43
Total liabilities	12,139,896,611.09	1,815,693,212.85	2,279,760,763.57	18,134,039,135.55	14,800,407,183.07	19,568,982,539.99

(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 278,783.50RMB, as at the end of this report, the balance of guarantee liability is 663,888,100 RMB. The number of external guarantee is 687 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	2,792.46	6 months	joint liability guaranty	Liquidity Loan	Purchasing products	Good	Yes
The second	Downstream distributors	1,987.22	6 months	joint liability guaranty	Liquidity Loan	Purchasing products	Good	Yes
The third	Downstream distributors	1,500.00	36 months	joint liability guaranty	Project Loan	Purchasing products	Good	Yes
The fourth	Downstream distributors	1,334.13	6 months	joint liability guaranty	Liquidity Loan	Purchasing products	Good	Yes
The fifth	Downstream distributors	1,163.26	6 months	joint liability guaranty	Liquidity Loan	Purchasing products	Good	Yes

2、Company shareholder Hohhot Investment Co., Ltd. pledged company shares

By the end of this report, Hohhot Investment Co., Ltd. the cumulative pledge of 138.20 million shares of its holding company, accounting for 2.27% 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. Notes receivable & Accounts receivable

Item	Ending balance	Beginning balance
Notes Receivable	181,100,000.00	163,597,000.00
Accounts receivable	1,057,879,215.00	741,569,268.53
Total	1,238,979,215.00	905,166,268.53

1. Notes receivable

(1) The notes receivable is disclosed by type

Item	Ending balance	Beginning balance
Bank acceptance	181,100,000.00	163,597,000.00
Trade acceptance		
Total	181,100,000.00	163,597,000.00

(2) At the end of the period, the company has no pledged notes receivable.

(3) The endorsed or discount note receivable not mature in the balance sheet date

Item	The amount of terminated recognition at the end of the period	The amount of not terminated recognition at the end of the period
Bank acceptance	104,350,000.00	
Trade acceptance		
Total	104,350,000.00	

(4) At the end of the period, the company has no notes receivable transferred Accounts Receivable because of drawer default.

2. Accounts receivable

(1) The accounts receivable is disclosed by type

Classification	Ending balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Receivables with significant single amounts and single impairment provision appropriated	91,505,565.39	7.37	91,505,565.39	100.00	
Impairment provision for accounts receivable appropriate by credit risk	1,149,868,711.97	92.62	91,989,496.97	8.00	1,057,879,215.00
Insignificant accounts receivables with single bad debt provision appropriated	182,350.27	0.01	182,350.27	100.00	
Total	1,241,556,627.63	100.00	183,677,412.63		1,057,879,215.00

Continued:

Classification	Beginning balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Receivables with significant single amounts and single impairment provision appropriated	101,246,059.86	11.11	101,246,059.86	100.00	
Impairment provision for accounts receivable appropriate by credit risk	806,053,552.73	88.42	64,484,284.20	8.00	741,569,268.53
Insignificant accounts receivables with single bad debt provision appropriated	4,251,594.63	0.47	4,251,594.63	100.00	
Total	911,551,207.22	100.00	169,981,938.69		741,569,268.53

(2) Description of account receivable classification:

I. Individually significant and with individual provision for bad debts at the end of the period

Company name	Ending balance			Reasons
	Account receivable	Provision for bad debts	Percentage	
The first	91,505,565.39	91,505,565.39	100.00	The net assets of subsidiaries are negative and the operating environment is changed, the possibility of recovery is small.
Total	91,505,565.39	91,505,565.39		

II. In Group, provision for bad debts of accounts receivable made according to the percent of balance method

Combination Type	Ending balance		
	Account receivable	Provision for bad debts	Percentage (%)
Combination 2	1,149,868,711.97	91,989,496.97	8.00
Total	1,149,868,711.97	91,989,496.97	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 2 is mainly the receivable loans from direct distributor and online business.

(3) Accrued, recovered or reversed provision for bad debts

Amount of Provision for bad debt is RMB 33,552,050.20 for this period; Amount of recovered or reversed provision for bad debts is 0 RMB for this period.

(4) No provision for bad debt is written off in this reporting period

Item	Amount
Bad debts are written off	19,856,576.26

(5) The top 5 of account receivables at the end of the balance date

Name	Ending balance	Percentage (%)	Provision for bad debts
The first	237,321,099.27	19.11	18,985,687.94
The second	196,723,001.74	15.84	15,737,840.14
The third	113,433,320.91	9.14	9,074,665.67
The fourth	91,505,565.39	7.37	91,505,565.39
The fifth	77,024,993.37	6.20	6,161,999.47
Total	716,007,980.68	57.66	141,465,758.61

(6) No account receivables de-recognized due to transfer of financial assets.

(7) No transfer of accounts receivable and continued involvement in the formation of assets and liabilities.

Note 2. Other receivables

Item	Ending balance	Beginning balance
Interest receivable		
Dividends receivable	101,680,267.43	
Others receivable	28,725,665.73	16,069,471.42
Total	130,405,933.16	16,069,471.42

1. Dividends receivable

(1) Dividends receivable

Invested company	Ending balance	Beginning balance
Subsidiary dividend	101,680,267.43	
Total	101,680,267.43	

(2) The company has no important dividends receivable More than 1 year.

(3) Description of dividends receivable

The reason of increasing Dividends receivable: Subsidiary dividend increased in the period.

2. Other receivables

(1) The accounts receivable is disclosed by type

Classification	Ending balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with significant single amounts and single impairment provision appropriated					
Impairment provision for accounts receivable appropriate by credit risk	31,223,549.73	64.13	2,497,884.00	8.00	28,725,665.73
Other insignificant receivables with single bad debt provision appropriated	17,464,617.57	35.87	17,464,617.57	100.00	
Total	48,688,167.30	100.00	19,962,501.57		28,725,665.73

Continued:

Classification	Beginning balance				Carrying value
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with significant single amounts and single impairment provision appropriated					
Impairment provision for accounts receivable appropriate by credit risk	17,567,297.63	50.12	1,497,826.21	8.53	16,069,471.42
Other insignificant receivables with single bad debt provision appropriated	17,481,876.27	49.88	17,481,876.27	100.00	
Total	35,049,173.90	100.00	18,979,702.48		16,069,471.42

(2) Description of other receivables classification:

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 2	31,223,549.73	2,497,884.00	8.00
Total	31,223,549.73	2,497,884.00	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 2 is a cash deposit, guarantee deposit, inter-transaction of supporting the development of dairy households, advances and other normal payments.

(3) Provision for bad debts and theirs reclaim and reversal

Amount of Provision for bad debt is 1,128,099.09 RMB for this period; Amount of reclaimed or reversed provision for bad debts is 93,000.00 RMB for this period.

(4) Other receivables written off in this reporting period

Item	Amount
Actual written off	52,300.00

(5) Classification of other receivables according to the nature

Item	Ending balance	Beginning balance
Cash deposit and guarantee deposit	14,262,628.18	14,010,380.07
Advance money for another	33,532,741.28	19,824,420.21
Loans of dairy farmers buy cows		100,480.87
Inter-transaction of supporting the development of dairy households	892,797.84	1,062,807.59
Disposal of fixed asset funds		51,085.16
Total	48,688,167.30	35,049,173.90

(6) 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	10,822,400.00	Within 1 years	22.23	865,792.00
The second	Deposit and guarantee	3,752,438.99	Within 1 year	7.71	300,195.12
The third	Advance	3,043,496.00	More than 3 years	6.25	3,043,496.00
The fourth	Advance	2,232,400.00	More than 3 years	4.59	2,232,400.00
The fifth	Deposit and guarantee	1,889,996.99	Within 1 year	3.88	151,199.76
Total		21,740,731.98		44.66	6,593,082.88

(7) No other receivables related to government subsidies.

(8) No account receivables de-recognized due to transfer of financial assets.

(9) 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	Carrying value	Book balance	Impairment	Carrying value
Invest in subsidiaries	23,312,475,802.70	10,584,208.17	23,301,891,594.53	21,152,587,366.09	16,565,539.56	21,136,021,826.53
Invest in associated enterprises and joint ventures	1,890,715,938.59		1,890,715,938.59	1,746,524,502.88		1,746,524,502.88
Total	25,203,191,741.29	10,584,208.17	25,192,607,533.12	22,899,111,868.97	16,565,539.56	22,882,546,329.41

1. Investment in Subsidiaries

Name of investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Amount of impairment for this period	Ending balance of provisions of 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	22,000,000.00		38,500,000.00		
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			
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		

Name of investee	Beginning balance	Increase for the year	Decrease for the year	Ending balance	Amount of impairment for this period	Ending balance of provisions of impairment
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	440,000,000.00		800,000,000.00		
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., LIMITED	1,132,614,659.33			1,132,614,659.33		
Tianjin Yili Dairy Co., Ltd.	100,000,000.00			100,000,000.00		
Shanxi Yili Dairy Co., Ltd.	170,000,000.00			170,000,000.00		
Bayan drow 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.	160,000,000.00	330,000,000.00		490,000,000.00		
HONGKONG JINGANG TRADE HOLDING CO., LIMITED	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 Kindairy Trading 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.	600,000,000.00	1,400,000,000.00		2,000,000,000.00		
Lizhimei (Shanghai) investment Co., Ltd.	300,000,000.00			300,000,000.00		
Shenyang Yili Co., Ltd.	175,000,000.00			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		
Daqing Yili Dairy Products Co., Ltd.		20,000,000.00		20,000,000.00		
Total	21,152,587,366.09	2,212,000,000.00	52,111,563.39	23,312,475,802.70		10,584,208.17

2. Investment in associated enterprises and joint ventures

Name of investee	Beginning balance	Increase/Decrease of the period			
		Increased investment	Decreased investment	Investment income under equity method	Other comprehensive income adjustment
I. Joint venture					
II. Associated enterprises					
Shandong Xinjufeng Technology packaging Co., Ltd.	129,443,054.56			15,187,420.55	
China Youran Dairy Holding Limited	1,569,255,549.90			130,740,439.12	
Beijing Jiuyangzhahui Investment Fund Management Co., Ltd.	47,825,898.42			-1,736,423.96	
Subtotal	1,746,524,502.88			144,191,435.71	
Total	1,746,524,502.88			144,191,435.71	

Continued:

Name of investee	Increase/Decrease of the period				Ending balance	Ending balance of allowance for impairment
	Other changes in equity	Declared cash dividends or profits	Allowance for impairment	Others		
I. Joint venture						
II. Associated enterprises						
Shandong Xinjufeng Technology packaging Co., Ltd.					144,630,475.11	
China Youran Dairy Holding Limited					1,699,995,989.02	
Beijing Jiuyangzhahui Investment Fund Management Co., Ltd.					46,089,474.46	
Subtotal					1,890,715,938.59	
Total					1,890,715,938.59	

Note 4. Operating revenue and operating cost

1. Operating revenue and operating cost

Item	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Main business	78,473,170,540.07	57,255,152,249.57	66,496,675,309.82	49,144,822,080.36
Other business	1,915,971,903.93	1,858,571,872.95	1,769,142,255.43	1,716,595,412.54
Total	80,389,142,444.00	59,113,724,122.52	68,265,817,565.25	50,861,417,492.90

Note 5. Investment income

Item	Current period	Last period
Investment income from long-term equity investment measured under cost method	3,480,355,966.54	2,620,298,872.36
Investment income from long-term equity investment measured under equity method	144,191,435.71	86,780,128.15
Investment income from disposal of long-term equity investment	-14,298,169.16	
Investment income arising from financial assets which are measured at their fair value through profit or loss;		
Investment income arising from disposal of financial assets which are measured at fair value through profit or loss	147,945.20	
Investment income from held-to-maturity investments		
Disposal of held-to-maturity investments		
Investment income from available-for-sale financial assets	66,632,226.25	38,571,235.42
Investment income arising from disposal of available for sale financial assets		
Gains arising from re-measurement of remaining equity after losing control		
Entrusted loan income	21,074,449.69	15,047,680.83
Total	3,698,103,854.23	2,760,697,916.76

XVII. Supplementary information

(i) Non-recurring profit or loss in the current period

Item	Amount	Description
Gain or Loss from disposal of non-current assets	-85,047,999.60	
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)	832,019,423.61	
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	378,925.66	
Reversal of individual impairment test on account receivables	115,950.00	
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	-66,904,123.08	
Other profit or loss meet the definition of extraordinary gain or loss		
Effect of Income Tax	-122,148,048.96	
Minority interest effect amount (after tax)	3,285,009.94	
Total	561,699,137.57	

(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	24.33	1.06	1.06
Net profit (after deduct the non-recurring profit or loss) attributable to the company's common stock shareholders	22.21	0.97	0.97

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: 26 February 2019

Amended Information

Applicable Not Applicable



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